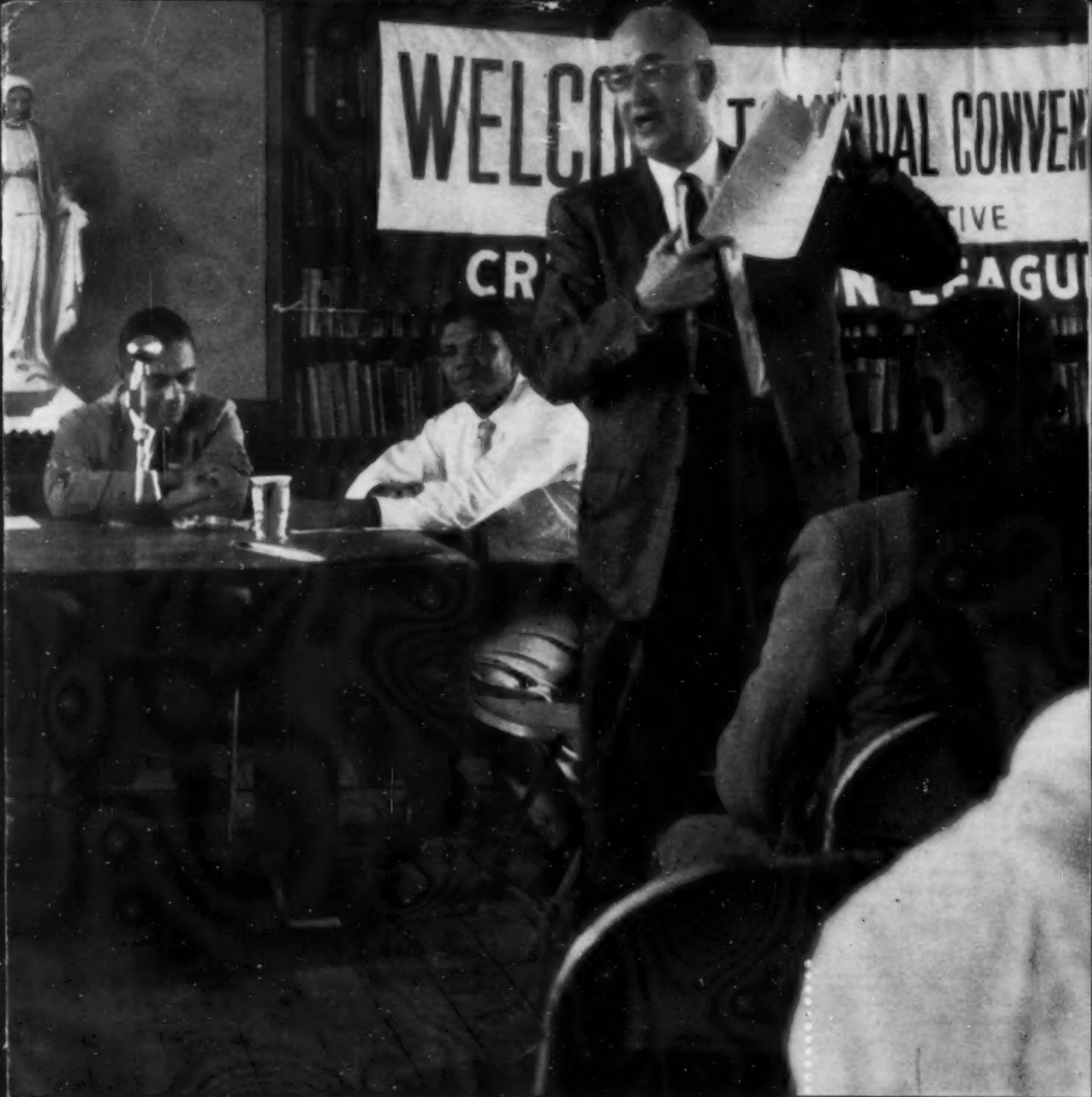

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September, 1958

THE Credit Union

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OFFICIAL PUBLICATION OF THE CREDIT U

ON THE COVER

The Operation Impact story was presented to the annual meeting of the Jamaica Credit Union League by Kent Francis, director of CUNA's special projects department, in July. Francis returned to Wisconsin delighted with the spirit of the Jamaica movement.

The Credit Union Bridge

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Member of Co-op Editorial Assn.

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September, 1958

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The B. C. program

CREDIT UNION

EXAMINATIONS

rank high among the most difficult of the arts. Here's how "the Bureau" looks at them

IF you want to know what financial supervisory agency in the United States runs the most examinations per year, the answer is the Bureau of Federal Credit Unions.

This agency has 9,000 federal-chartered credit unions to watch over, and it is examining them now at a rate of about once every thirteen months. There are now 273 examiners, of whom about 100 were hired in the last 12 months, so the interval between examinations is rapidly being reduced.

No agency examining banks or savings and loan associations has as many units under its jurisdiction. Of course most credit unions are small and quickly examined, compared to banks, but the Bureau's job is a big one in terms of units.

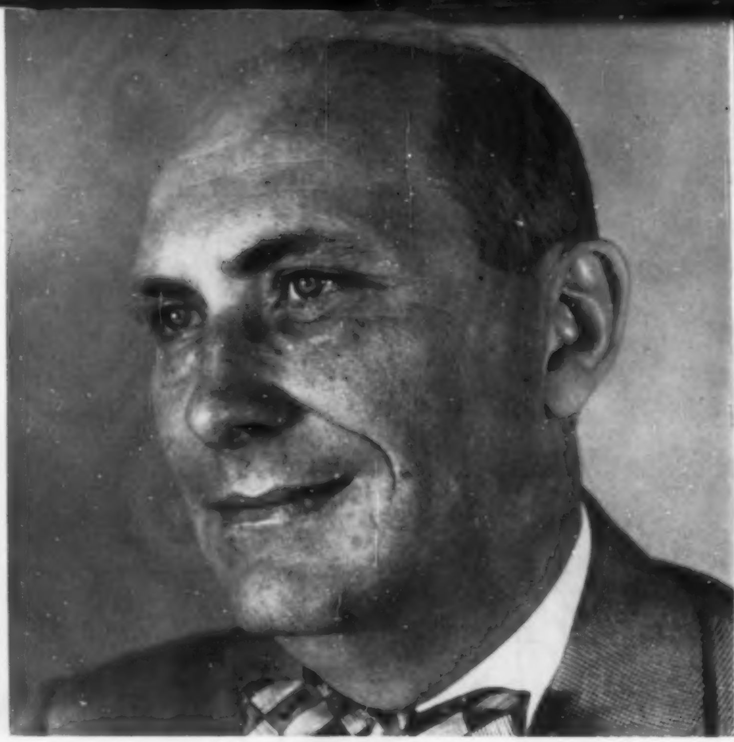
It is big in other ways, too. Examining a credit union calls for special skills and sympathies. A credit union is not in operation for profit, and its officers are not paid; this makes a profound difference. The examiner has to use a different yardstick when he evaluates the performance of the credit union, and he has to understand how to work with volunteers. It's a little like the difference in umpiring in the major leagues, where the players work for money, and an industrial league, where the players play for fun.

But the men who work in the Bureau of Federal Credit Unions don't consider themselves simply umpires. Part of their job is to see that credit unions are following the rules laid down by Congress in the Federal Credit Union Act, but they like to feel that their contribution to the credit union movement is more positive than that. As one examiner puts it: "If I tell the officers of a credit union that they're doing something wrong, I've got to be able to tell them the right way to do it." This makes the Bureau representative a coach as well as an umpire. Any field examiner who has been on the job for a while finds that the credit unions in his area will keep his home phone ringing evening after evening with requests for advice and information. A lot of the questions can be answered out of the manual, and he tries to get officers to look things up as much as possible, but the credit union movement is not a very manual-conscious movement and most credit union officers learn most of what they know in bull sessions.

Tensions do occur

In any game where the players are supervised by an umpire, there is normally some tension between them. There is tension sometimes between the Bureau, the credit unions and the leagues. Once in a great while a Bureau examiner has been found too tactless to hold his job, and he has

Claude Orchard set up the Bureau in 1934 as a section of the Farm Credit Administration, and was its head till 1953.



J. Deane Gannon became director of the Bureau after serving as credit union supervisor for the State of Wisconsin.

been encouraged to seek other employment. Occasionally the officers of a credit union take pleasure in needling an examiner, and he has to learn to take this calmly.

The primary purpose of an examination is to make sure that the credit union is conducting its operation in accordance with the law, so that the members' money may be safe. The primary goal of most credit union officers is to get the money loaned out so it will do the most good. It is not surprising that these two points of view should occasionally lead to arguments, even hot aguments. It is natural that credit union officers should occasionally feel that the examiner is being ridiculously fussy, or that an examiner should feel that the officers are cutting too many corners. The examiner's most difficult job is to offer his criticism and suggestions without making the officers feel guilty or hostile. If he can't do this, his life will be miserable. The Bureau urges its men to be conciliatory.

There are two sides to every fence. One credit union examiner who had to quit expressed this very clearly. He was a man of exceptional ability but unfortunate tactlessness. He did not stay with the Bureau very long, but while he was examining credit unions, he succeeded nearly every day in rubbing somebody's fur the wrong way. Everywhere he went he left behind groups of irritated credit union officers. He was always right, but in a nasty way. He wanted every i dotted and every t crossed. He made a career of wounding people's feelings.

It couldn't last, of course. The tactless examiner left the Bureau and took a job as a credit union manager. The first time his credit union was examined, the Bureau man who looked it over was startled to see some of the short cuts the former examiner was taking. "You wouldn't have stood for such things while you were examining credit unions," said the Bureau man. "Well, I'll tell you," said the former examiner, "it all depends on which side of the fence you're on."

Training the new ones

It has often been a problem for the Bureau to find young men to train as examiners, but the recession and the recent 10 percent pay increase for Federal employees are making this easier. Most of the men hired lately are college graduates. They are hired either in grade 5 or grade 7, depending on their qualifications, and in two years or so can be advanced to grade 9. This means that they start at $4,037 or $4,977 a year and rise in two years to $5,984. Senior examiners and others with accumulated seniority will be moved into grade 11, where the base pay is $7,029.

The examiners work out of their own homes. On an average, each examiner has 35 credit unions to supervise. He takes his orders from his regional office, of which there are now ten around the country. He gets 9 cents a mile when he is driving his car on credit union business and $10 a day for food and lodging when he is away from home. He is not paid for overtime, but if he works weekends he gets compensatory time off later on. Many examinations of large credit unions are scheduled to start on a Friday afternoon, with a large team of examiners working Saturday and Sunday, in order to avoid disrupting the credit union's daily routine.

The regional offices are located in Boston, New York, Harrisburg, Atlanta, Chicago, Kansas City, Dallas and San Francisco. A new one has been opened in Charlottesville, Virginia, and there are two in New York. Each of these offices is managed by a regional representative, who may have from eight to fifteen people on his staff, including an assistant, review examiners and clerical employees. The regional offices are the nerve centers of the Bureau set-up. Here the examiners' reports are

scrutinized before they are transmitted to credit union boards. Here new examiners are hired. Here the working files are maintained. Here decisions are made on how policy is going to be translated into practice. Like many other government agencies, the Bureau of Federal Credit Unions is decentralized; a small staff of policy-level supervisors runs the Washington office, and the bulk of the organization is spread across the country.

Came from Wisconsin

The director of the Bureau is J. Deane Gannon, who took office in 1953. Gannon was supervisor of credit unions for the Wisconsin banking department up to the time of his joining the Bureau. He is only the second director the Bureau has had—the first was an original credit union pioneer, Claude Orchard, who became interested in credit unions as personnel director of Armour & Co. during the twenties, was among the founders of the Credit Union National Association and was appointed director of the Bureau by President Roosevelt in 1934.

In the beginning the Bureau was a section of the Farm Credit Administration in the Department of Agriculture. In the middle thirties there were two groups of field men: a group of examiners and a group of organizers. The organizers carried on the same kind of organizing campaign as league field men were doing—making cold canvass calls on employers and other sponsor organizations. The rate of organization went up steeply during the thirties as the Farm Credit team went to work. The organizing teams were discontinued, however, in 1937.

With the advent of World War II, the Bureau was transferred as an efficiency move into the Federal Deposit Insurance Corporation. The total number of credit unions declined somewhat as liquidations increased and charter applications dwindled. At the same time, decentralization went into effect; the FDIC already operated through regional offices, and members of the Bureau's Washington staff were reassigned to various metropolitan centers.

After the war, the Bureau was moved again, this time into the Federal Security Agency. Then, when the Department of Health, Education and Welfare was set up, the Bureau went with the rest of the Federal Security organization into this new department and for the first time found itself answerable to a cabinet officer. Orchard was director of the Bureau during the first three stages of its existence; Gannon came into the picture under the Eisenhower administration. The Bureau's roots now seem pretty well established. FDIC officials were satisfied to see the Bureau go into the Federal Security Agency in 1948, and Congress seems content to leave things as they are. Opponents of credit unions are doing some lobbying to get credit union supervision transferred out of its present friendly environment into some colder, more financial setting, but they do not seem to be making much hay. At stake, of course, is the credit union spirit—the volunteer non-profit motivation by which credit unions operate. But the struggle is not acute.

The high morale of the Bureau staff deserves some comment. All the higher-ups on the Washington staff have been with the Bureau twenty years or more. Most of the "regional reps" have fifteen years service. Former Bureau employees who now work for the leagues—Bill Wright of Oregon, Jack Dublin of Michigan, Paul Mullins of Texas, Lance Barden of California, Art Woolard of Florida, Leo Schwartz of New York—still speak fondly and loyally of the old organization. So do men like Hubert Rhodes and Dave Weinberg of CUNA and Charlie Compton and Howard Custer of CUNA Mutual.

It takes six months

A young man who joins the Bureau for training as an examiner usually finds out within six months whether he is going to like it. He may discover that the travel is too much for him, or too much for his wife. He may find that he really doesn't find the work interesting. If so, he quits. Those who do are in a small minority. Usually he finds that credit union work satisfies him. He likes the people, he admires their motives, and he enjoys helping them. If he develops skill and tact, he will often be offered a job managing some credit union, usually at considerably better pay than he is getting. The surprising thing is how often he refuses such offers, because he enjoys working for the Bureau.

Let's take a minute to visit a man who has been working for the Bureau for fourteen years—George McNamara of Memphis, Tennessee.

McNamara is now a senior examiner, working out of his house on Alexander Street in a neatly-kept middle-price neighborhood. He first got into credit union work in 1938; for three years he served as treasurer and president of the Southern Central Employees Federal Credit Union. He soon found himself doing volunteer field work in the Memphis area, helping other credit union officers with their problems. He was active in the chapter and served for a time as its president.

He took a job with the Memphis Packing Company in 1943 and was drafted to serve on the supervisory committee of the credit union there. This convinced him that wherever he went he would be a credit union man, so in 1944 he joined the Bureau.

Cutting down travel

He had a large area to cover in those days. Credit unions were spread much thinner, and he found himself traveling in Tennessee, Alabama, Mississippi, Arkansas, Kentucky and occasionally Florida. "I got a bright idea," he says with a smile. "I thought that if I would organize a lot of credit unions in Memphis, maybe I could get to stay home more." He has helped to organize over 100 credit unions, and in 1948 he was honored as the thousandth member of the Founders Club, but so far as he can see he still travels as much as he ever did.

The Bureau no longer pays its employees to organize new credit unions; any organizing they do is their own free contribution. Nevertheless, the men at the top like to see their examiners interested enough to charter at least one group. "You get a new and more intimate interest in credit unions when you've helped to organize one," says Gannon. McNamara, however, is outstanding as an organizer—he has organized them not only in his own state but in Mississippi, Kentucky, Arkansas and as far from home as Utah.

As a veteran, McNamara is assigned to examine mostly larger credit unions, and he gets more spe-

OPERATING FUND
BUREAU OF FEDERAL CREDIT UNIONS

	1957 actual	1958 estimate
Program by activities:		
Operating costs:		
1. Chartering	$ 32,695	$ 35,847
2. Supervision	328,260	423,830
3. Examination	1,632,533	2,204,334
4. Administration	69,075	81,378
5. Interest on Treasury loan	5,098	4,813
Total operating costs	2,067,661	2,750,202
Depreciation included above (—)	—12,293	—15,000
Total operating costs, funded	2,055,368	2,735,202
Capital outlay: Purchase of equipment	44,025	35,000
Total program costs, funded	2,099,393	2,770,202
6. Relation of costs to obligations:		
Costs financed from obligations of other years, net (—)		—1,842
Obligations incurred for costs of other years, net	467	....
Total program (obligations)	2,099,860	2,768,360
Financing:		
Amounts becoming available: Revenues and receipts: Fees	2,144,562	2,776,587
Unobligated balance brought forward	678,244	697,946
Total amounts available	2,822,806	3,474,533
Capital transfer (repayment of investment to Treasury) (—)	—25,000	—75,000
Unobligated balance carried forward	—697,946	—631,173
Financing applied to program	2,099,860	2,768,360

cial assignments to handle. There are thirty credit unions which he regularly examines, but he is also asked to join in team operations in which a group of more experienced men are sent to push an examination through fast. Occasionally, a credit union treasurer who never has seen more than one examiner at a time breaks into a sweat when he sees four walk in together — "My God, what's wrong?" said one treasurer recently. But this is a growingly common practice as more big credit unions make their appearance.

The purpose of an examination is not to discover defalcations. This fact has been more widely understood since the court decision in the case of the Social Security credit union of Baltimore two years ago, but it still probably needs emphasis. An examination is not an audit, although some auditing techniques are used. The purpose of an examination is to see that the credit union complies with the law, that it is solvent, that its records are in order. An audit would include scrutiny of every transaction.

McNamara personally is happy that he isn't cast in the role of a cop. He likes his job because he enjoys helping people. He has been offered higher-paid jobs in credit union management, but he stays with the Bureau because he feels he can help more people that way. He looks with satisfaction on the credit unions he has helped organize, because he can see millions of dollars in them that otherwise the members might never have saved at all. As an examiner, he is in a position to help the credit unions in his district serve their members better. He would hate to be simply a cop.

The first embezzler

Nevertheless, defalcations occasionally do appear. "I'll never forget the first one I turned up," he says. "I'd been working for the Bureau since June, and this was in September. I kept adding up the figures and they wouldn't come out right. I did it once, and then I tore up my papers and started all over again. There was still something wrong. I tore them up again and started over again. The treasurer was watching me. Finally I said to him, 'Either there's something wrong with my figures, or the money isn't all there.' He said, 'There's nothing wrong with your figures.' It isn't easy to tell a man you think he's a thief."

Yet examinations turn up only about a third of the defalcations that are discovered. The discovery is usually made in some other way. Sometimes the internal audit does it. A good third of the discoveries result from some accident—some casual remark that somebody makes that starts somebody else thinking.

There are certain danger signals that make an examiner alert, of course. A request for a day's delay, a nervous-looking treasurer, a treasurer who never takes a vacation and never lets the books get out of his possession, directors and committee members who don't seem to be doing their job—these are signs that makes the examiner suspicious. Yet if he called for a full-scale audit every time he saw such things, he would be in hot water incessantly. "I remember a woman once," says McNamara, "who looked so scared when I walked into the credit union that I thought for sure something was wrong. She was pale and perspiring, and she could hardly breathe. She'd been treasurer for about eight months, and this was her first examination. The second day, when I came in, she looked much better. I said, 'I hope you're not so frightened today.' She said, 'Did it show that much?' There was nothing wrong with the credit union, she was just nervous."

Counting the cash

The first thing an examiner does when he enters the credit union office is to ask for the records and cash. Many a treasurer is embarrassed to admit that the books aren't posted up to date, and tries to stall for time. The examiner buys none of this. Part of the value of an examination is the surprise element, which the examiner can't give away.

A new feature has been added to federal examinations this year. For the first time, examiners are asking for a meeting with the supervisory committee early in the course of the examination. "Supervisory committees are the weakest spot in the credit union," says McNamara. "You get a supervisory committee trained to the point where they're doing a good job, and then three new members take their places." In the Washington office, however, there is a new op-

(*Continued on page* 20)

Even the downtown section of Canada's "cowtown" is covered by a system of community credit unions which has become the bedrock of Alberta's credit union movement.

SERVING CALGARY

This neighborhood group, starting with dimes and quarters, has done much to stimulate the Alberta movement

BY weaving a net of community credit unions over the city, credit unionists in Calgary, Alberta bring credit union service to nearly all of the city's more than 200,000 citizens.

Community credit unions have been the bones of the movement in Alberta. From the community groups, primarily in Calgary, have come the people who organized the first chapter and the league, and who continue, after twenty years, to build the movement.

Alberta League manager E. J. Ouellette puts it this way: "Nearly every day someone will call the League office to say that they have heard of credit unions and want to join one. We have three choices: Ask them where they work, what is their church or where do they live. We can nearly always place them in a credit union."

Calgary is Canada's cowboy town. The cowboy with his wide hat, high boots, open shirt and tight pants draws no notice on Calgary's streets. Once a year the Calgary Stampede is Canada's drawing card for the world. This past July, more than a half-million people took in the week's rodeo. Then, three weeks later when Princess Margaret paid the city a royal visit, they ran through a miniature stampede just for her, to prove that their westernness hasn't severed all ties

with the distant mother country.

More commonplace industries like construction and railroads also are familiar to the Calgarian. Except that, so far as credit unions go, the industrial groups sprang from the community credit unions, because the community groups came first and produced the leaders who spread credit unions into industry.

Right now there is a community credit union serving practically every neighborhood in Calgary's expanding city limits. Some are young and small; some are old and big. Until now there has been no concerted attempt to equalize them, but from time to time there are boundary changes, generally a slicing-up of a big one into two or more smaller community groups. League manager Ouellette believes that any adjustments should be left to the Calgary Chapter, and, while the chapter has no special committee to watch this, it does stay keenly aware of needed changes.

Oldest and largest of Alberta's community credit unions is Inglewood Savings and Credit Union Limited in east Calgary. Holding Alberta credit union charter number four, it is only one day older than Bow Savings and Credit Union Limited, a neighbor in Calgary's northwest side. Come October Inglewood will hold its twentieth birthday party, a celebration which rivals the credit union's annual meeting for attendance and social fun.

Inglewood comprises a large section of east Calgary. Its residential sections are interrupted frequently by commercial sections or by industries. The home lots are small but neat. Houses vary from one story to three stories, almost all cleanly painted and well sheltered against long winters which sometimes bring lows of fifty degrees below zero.

Inglewood Credit Union's members are generally Canadians one or two generations removed from England or some other European country. They are working people, with salaries ranging from $250 to $500 a month. Home ownership holds a slight majority over renting in Inglewood. Cars may be five or six years old. Families run to two or more children. For holidays, as Canadians call it, they may go to Banff or may drive the 200-odd miles to the U.S.-Canadian border.

Back in 1938, when the Inglewood group was organized, Alberta lay gripped in the depression. The man who could bring home $10 or $15 every week was a prince. Work was unsteady; except for the railroad, there was little industry to bolster the province's traditional agricultural income. In this period of insecurity grew up the Social Credit political party, which still is Alberta's dominant party.

One item that attracted the party's attention was the credit union movement, which was moving into Canada's eastern provinces from across the line. A leading journal of that

Farming in the shadow of an oil derrick is commonplace in Alberta, where credit unions serve industrial employees and farmers alike.

Three generations of Credit union members is the record of the Clayton Harris family from Inglewood Credit Union in Calgary.

"Let's go" is still the motto of Mrs. E. V. Burvill, who in 1938 became impatient without a credit union study club and said "let's get organized."

time was a monthly magazine called The Instructor, published by the Institute of Industrial Arts in Toronto and featuring monthly stories about credit unions. Members of the legislative assembly in Edmonton, Alberta's capital city, read these stories and enacted the Alberta Credit Union Act in March, 1938.

Study led to action

Also reading The Instructor and reading newspaper stories about the new credit union act was a study group of neighbors in Inglewood district. Several subscribed to the magazine at a dollar a year, and they met regularly — often once a week — to talk about money and to see whether this credit union idea might be workable for people who could save maybe only ten cents per week.

These twenty-odd people, all living within a five-block radius and nearly all working part-time if at all, met regularly but without definite results until one August night, when Mrs. E. V. Burvill said, "We've been studying and talking for a long time now, and I think it is about time we did something about it, so let's hurry up and get started to operate." This was the grouping call that everyone else had been waiting for; immediately they filed application papers and began collecting savings.

From August until October, when the charter was granted, they grew to thirty-seven members with shares of $53.90 and deposits of $81.62. Minimum savings had been set at ten cents per week, and there were several who stayed with that amount, except for the odd week when they could salt away a quarter.

Today, in the Inglewood credit union, many of the charter members are still active. President, with passbook number one, is Ernest Inglis, a CUNA, alternate national director. Behind the counter, working full-time as a teller since 1952, is Mrs. Mar-

Taking over the treasurer's job after her husband died in 1945, Mrs. Annie Dredge has built Inglewood into nearly a million-dollar credit union.

Pleasant but crowded office conditions will be relieved next year when Inglewood adds on to the building which it built in 1951.

garet Cuthiell with book number two. Mr. E. V. Burvill, husband of the woman who said "let's go" holds book four; his wife is number nine. Mrs. Annie Dredge, the secretary-treasurer and credit union employee since 1945, holds book number 7. Her father, a native Englishman, has book number 3.

In fact, only a few of the originals are gone, either moved or deceased. Anyone at Inglewood will tell you that the one who is missed most is Charlie Dredge, the part-time treasurer, who drove himself to a heart attack death in 1945 at age thirty-nine building the credit union up. The credit union annual meeting had just been two days before, and except for a cat-nap one afternoon, Charlie hadn't slept for keeping the credit union office open and working on the railroad at night. He dropped dead in the snow at the feet of an engineer whose train Charlie was unable to switch into the yards.

Led to marriage

Without a moist eye and with a steady voice, Annie Dredge talks freely about her Charlie's life and death in the credit union. The credit union brought the two together, as they both accepted charter offices and began working closely on this obsession which they shared. After they were married and the credit union was growing, Charlie used to tell her, "I'm building something that may help you in case anything happens to me." Her attitude, was that the credit union would be the last place she would go looking for a job; she would blame the credit union if anything happened to him.

When Charlie died, though, the facts were obvious. No one knew the credit union like Annie Dredge; she had a daughter of two and a boy almost one, and she needed work. Where the directors had been paying Charlie $30 a month for running the office four hours a day, six days a week, plus book work at home, they raised the pay to $75 to allow Annie a living and a full-time job.

Dimes and quarters

Inglewood Credit Union wasn't built so much in the form of a man or even of a man and wife as it was of the times and its members. It turned dimes and quarters and $10 loans into a near million-dollar credit union, still the largest in Alberta in terms of membership (nearly 2200) and until last October the largest in assets. It could have suffered the contractions of old age and a dwindling population in its district, because Inglewood is actually losing population as residential areas make way for industrial locations. The credit union, however, cultivated every family tie that it could, retaining memberships with sons and daughters of the original families and gaining new members among new Canadians, especially those from Holland and Denmark moving into east Calgary. Every year the nominating committee gives the membership an opportunity to vote in new blood; leaders are cultivated carefully, like the beautiful little flower gardens which have such short lives in Canada's brief summer.

Nowadays, when members of Calgary's smaller community credit unions complain that they can't get service like Inglewood's members, Inglewood can show what a humble beginning may lead to. They can point to ledger number one, Ernest Inglis. This is his savings record in the beginning:

Date	Paid In	Balance
1938		
8-25	.10	.10
9-1	.10	.20
9-7	.10	.30
9-14	.10	.40
9-21	.10	.50
9-28	.10	.60
10-5	.25	.85
10-12	.25	1.10
10-19	.10	1.20
10-26	.10	1.30
11-2	.25	1.55
11-9	.10	1.65

By May 25, 1939, when he had savings of better than ten dollars, Inglis borrowed $12 to be paid back $1 a month, plus the 10 cents a week to shares. He made four payments of $1 each, then hit a good streak and paid off the loan with $8 in October. His total interest was 50 cents.

Another person who remembers her first loan is Mrs. Clayton Harris. She holds book number 27; her husband holds number 28 and their four boys—Roy, Tom, Robert and Ernest—hold numbers 29, 30, 31 and 32. In those days, when Mr. Harris brought home $27 every two weeks from a railroad job, it wasn't easy to build up shares for six people. Nor was it easy to pay back a $15 loan which they used to buy fifty pounds of butter because they could save $2.50 buying it in the summer. Roy, the oldest son, recalls that he borrowed $25 when he was thirteen to buy a bike for his daily paper route, repaying the loan from route collections. Later in their membership, when Mr. Harris became ill and the family needed some assured income, they borrowed $3,000 from the credit union to buy a small coffee shop.

Business loans have remained a major function at Inglewood, as they

must in any successful community credit union. For the past three years, loans for business expenses have amounted to 11, 12 and 7.5 percent of the loan dollar volume.

In those same years, loans for cars, bicycles and vehicle repairs have been the big borrowing purpose, running 29, 27 and 29 percent of total volume. Furniture and home improvements have been consistently around 15 or 16 percent. Loans to buy real estate have been about that same percentage, and loans for debt consolidation have been a percentage point or two below.

Loan limit set by Inglewood directors is $1500 above shares, with share savings unlimited. At Inglewood, Mrs. Dredge has authority from the credit committee to make a loan up to $200 above shares unless it is the member's first loan application. In that case, regardless of security, they are asked to see the credit committee at its Tuesday night meeting. There two things are made clear: the credit committee would like to see some systematic savings while the loan is paid off, and consistent pay-off on the first loan will guarantee favorable committee action on the next application.

A straight 1 percent per month on unpaid balances is the rule on Inglewood loans. This, says Mrs. Dredge, is an example of the credit union's attempt to follow credit union movement feeling as closely as possible. Except for an early year when they paid a 5 percent dividend, they have held their dividend between 3 and 3½ percent and for several years have returned between 15 and 25 percent interest rebate. They have no provisional members and no special rules for members who have moved away.

On a Tuesday night the credit committee may interview ten or fifteen persons while granting twenty or thirty loans totaling around $10,000. This is the record for one Tuesday evening this summer: (Asterisk indicates that borrower was interviewed by the credit committee)

DEBT CONSOLIDATION

Loan amount	Security
$ 30	shares
$ 20	shares

FURNITURE AND HOME IMPROVEMENTS

Loan amount	Security
$ 300	shares
$ 150	shares
$ 100	shares
$ 300*	shares

(*Continued on page* 23)

From the managing director

We oppose credit controls!

NOBODY hates the idea of inflation more than a military man.

The military career has its rewards and its sacrifices. The man who joins the army for twenty-five or thirty years gives up some things that many of us would hate to give up.

But there is always one consolation for him: the idea of a pension some day, that will give him a chance to relax, take off his uniform and go fishing.

A pension is a beautiful thing. It means peace and quiet and security.

President Eisenhower was a military man. He knows what pensions mean. It is no wonder that he hates inflation.

Must dig deeper

But at the same time I suggest that the President should dig deeper into the question of what causes inflation.

He is being advised at the present time, according to reports out of Washington, that standby controls should be established to limit the use of consumer credit.

He is being told that consumer credit may be the villain in the inflation picture.

This, so far as I can see, is utterly unjustified. Consumer credit has little to do with inflation.

Which prices are rising?

The argument that consumer credit produces inflation frequently spills over into other subjects.

For example, the arguer will often say, "And what's going to happen to all these loans when the borrowers are laid off?"

That's an important question, but has nothing whatever to do with inflation.

Really, to argue that consumer credit causes inflation, you have to argue that inflation results mainly from rising prices on cars and appliances.

If you can't prove this, you have no argument.

And you can't. Car sales and appliance sales have been down, and prices are rising much more seriously in other areas, such as hospital care, rent and services.

A desperate expedient

For a long time, it seemed pretty clear that there was a connection between monetary policy and inflation, and reasonable men thought inflation could be controlled by monetary policy.

Now the Federal Reserve Board has come to the point where it doubts its ability to solve the problem in this way.

But it's a desperate expedient to say that if monetary policy won't work, maybe consumer credit controls will.

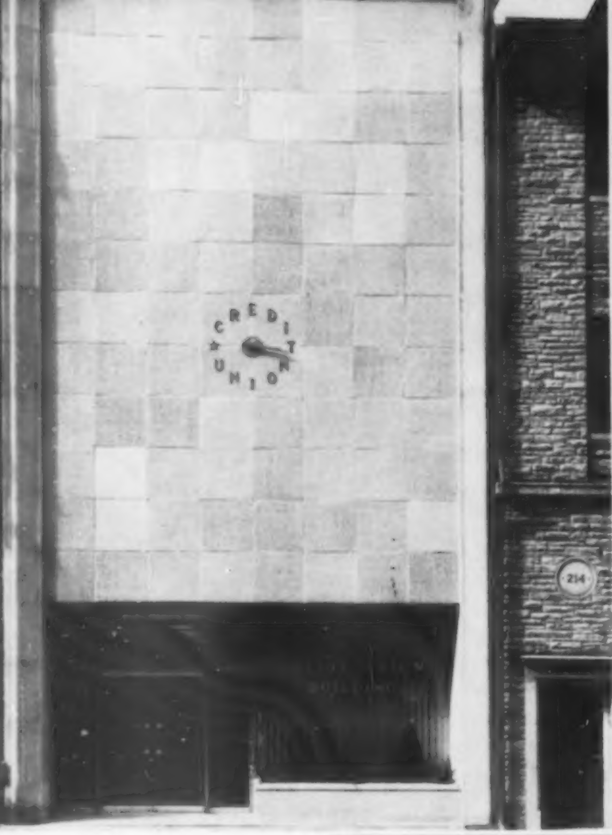
It reminds me a little bit of the story how Thomas Edison, when he had failed a number of times to find a material suitable for a filament in the incandescent lamp he was trying to invent, experimented briefly with a little shred of limburger cheese.

It's official policy

The Executive Committee of the Credit Union National Association voted on August 9 to oppose standby controls for consumer credit.

Until a clear case can be made for such controls, we will certainly oppose them with all our force.

H. Vance Austin



A credit union loan bought this elephant for a zoo keeper in British Columbia. A. L. Nicholas and Dick Monrufet enjoy the situation.

A credit union clock adorns the handsome front of the new building now the home of the Baltimore Municipal Employees Credit Union.

The Michigan Credit Union League has bought its own plane, and managing director Al Marble now covers his state with the greatest of ease.

Bridge PICTURE PAGE

Alaska has twenty-seven credit unions, all federal-chartered. Here an Army engineers' group smile over their dividend rate.

In Glace Bay, Nova Scotia, these school children had a special celebration on Credit Union Day.

John L. Moore, treasurer of Central Credit Union of California, believes centrals should accept all credit union money at all times.

CENTRAL CREDIT UNIONS

are still looking for the answers to some of the difficult questions that are raised by their unusual operations

"OUR central credit union services are shamefully inadequate," says an experienced credit unionist. "We talk a lot about helping each other. We say we want to keep credit union funds in the credit union movement. Yet hundreds of credit unions today have to borrow from outside sources. Nor can they find credit union outlets for their idle funds. And thousands of directors and committeemen have to borrow from commercial institutions because their centrals do not have enough ready cash to give them prompt personal loan service."

The seriousness of this problem was again brought out at last June's international central credit union conference in Columbus, Ohio. Seventeen centrals participated. But only three of them—California, Iowa and Utah—were giving full central services to both officers and credit unions. They were the only centrals which accept credit union funds at all times.

Obviously, most centrals have not made a serious business of lending to credit unions. Says Robert Kloss, executive secretary of the Ohio Credit Union League and treasurer of Ohio Central Credit Union, "Some states have not as yet decided what the purpose of centrals is. Are they to serve officers? Should they serve credit unions only? Or should they serve both officers and credit unions?"

Some centrals provide no assistance at all to credit unions which need to borrow at low interest rates or wish to invest idle funds. In other areas, central services reach from 5 to 35 percent of the credit unions. It is quite exceptional when more than 50 percent of a league's credit unions are central members.

One of these exceptions is Iowa. There the central has some two hundred credit union members out of a possible three hundred and eighteen. But instead of being satisfied with

Left to right:

Treasurer Carl A. Bowman of Southern California Central Credit Union finds that custom-made literature helps to encourage wider use of central. His group's credit union membership grew from 50 to 75 from May to July of this year.

Mrs. Florence P. Leaf is manager and assistant treasurer at Southern California Central Credit Union in Los Angeles.

Treasurer Wayne W. Hall of Utah Central Credit Union thinks centrals should expand their inter-lending services. Says he, "We never decline funds."

this, manager Jack Aldrich is severely self-critical: "We have not even begun to scratch the surface in supplying our people and our credit unions with the money which they need."

Today there are more than 25,000 credit unions. Each month an additional hundred or more are organized. And if today less than 40 percent of all credit unions have full central services, that percentage will go down annually, lacking prompt and decisive action.

Here are some questions which the directors of leagues and central credit unions should consider:

(1) Is our central serving a field of membership that includes both officers and credit unions? If not, can we amend the central's charter to do so? Or if our central has a federal charter, should we liquidate it and organize a new central which includes credit unions in its field of membership?

(2) Should there be one central to serve the whole state or province? Or should there be city and area centrals? Would the advantage of greater strength through the accumulation of statewide (or provincewide) funds outweigh the convenience of same-day service at a local central?

(3) Should the central accept all credit union funds at all times? Or should it take credit union funds only when cash reserves are low, and decline them when cash is plentiful? Can a central achieve maximum usefulness while rejecting money at one time and begging for it at others? Can it expect to develop loyal members on that basis?

(4) Should the central offer a particularly attractive interest rate for long-term credit union investments? Would the likelihood that such funds would remain longer with the central be worth the supplementary expense of a higher or graduated interest rate?

(5) Should the parent credit union's credit committee be asked to pre-approve officer loan applications? Does this invade the concept of treating all applications confidentially? Would the credit committee of the parent credit union ever turn down a fellow-officer or committeeman?

Eighty-nine centrals today provide various forms of services. Here are the operating principles and problems of a few of them:

Central Credit Union of California was organized in 1936 by the directors of the California Credit Union League. Recalls John L. Moore, Central's treasurer since organization: "The League sponsored the central because there was no place at which officers could borrow. Credit unions also needed an available source of credit. Most banks were unwilling to lend them money. And those banks which were willing to lend funds to credit unions, were charging interest at rates which credit unions could not afford. Our league directors and many other credit union leaders were hopeful that the centrals in the various parts of the hemisphere would bring significant benefits to the credit union movement by providing operating experience and accumulating sufficient assets so that in the distant future we might have a sectional exchange of funds. Among those who shared these views was Roy F. Bergengren, first managing director of the Credit Union National Association, who believed that a system of strong regional centrals would be depression-proof."

• **Membership.** The field of membership at Central of California includes California and Nevada credit unions, their directors, committeemen, employees and organizations; the Credit Union National Association, its agencies, auxiliaries, subsidiaries, affiliates, officers and employees; persons holding the maximum amount of shares allowable in other credit unions; members of other credit unions who are recommended for membership by officers of their own credit union; organizations eligible for membership in other credit unions; as well as Central's officers, employees and the

members of their families.

• **Growth.** During its first five years of operation Central grew steadily. By the end of 1940 a membership of 1,518 owned $120,051.88 in shares, had accumulated assets of $396,988.20 and was lending $245,-050.31 to 933 credit unions, directors and committeemen. World War II reduced the rate of share and membership growth. But throughout the war period credit unions continued to place large amounts of funds in Central's certificates of investment. And during the last 12½ years (January 1, 1946 to June 30, 1958), Central's membership rose by more than 350 percent, from 1,596 to 7,347 (331 credit unions plus 7,016 individual members); shares jumped by more than 2,100 percent, from $123,997.70 to $2,759,293.19; assets climbed by more than 950 percent, from $429,-673.84 to $4,556,824.07; the number of borrowers rose by nearly 700 percent, from 457 to 3,737; and the loan amounts outstanding increased by more than 850 percent, from $409,-159.58 to $3,983,923.62.

• **Accepting all funds.** Central takes particular pride in its policy of accepting all investments from state-chartered credit unions within its field of membership and of never declining offers of loans from eligible federal groups, regardless of Central's cash position or need of funds. "We consider this policy one of the cardinal principles of central credit union services," says 46-year-old Don Erb, Central's office manager since 1941. "And I believe that the relationship between the central and the individual credit unions is substantially closer where the credit unions know that they can rely on their central to stabilize their cash position when funds are needed as well as when they are in oversupply."

• **Field representatives.** Some 90 to 95 percent of Central's business is handled by mail from its Oakland office. But in addition to a full-time headquarters staff of sixteen, Central employs three part-time field representatives with offices in Sacramento, Los Angeles and San Francisco. All three representatives are bonded under Central's blanket bond. Their responsibilities include: (1) obtaining automobile appraisals when cars are used as loan collateral; (2) securing credit reports where necessary; (3) providing information concerning joining and borrowing; and (4) assisting with completion of papers for membership and loan applications.

• **Problems.** Central's principal problems are: (1) maintaining an even flow of money; (2) obtaining state-wide participation and (3) eliminating unfounded fears that Central is trying to compete with other credit unions. Another problem is need for more operating space.

• **Balancing the flow of funds.** "We have a tremendous influx and outflow of cash," Don Erb points out. "For example, at the end of February our cash balance was $23,000. Two months later it had reached $267,000. By the end of May we had more than $400,000 cash on hand.

"One of the reasons for our occasional oversupply of cash is that we take money when it is available regardless of our need for it. When a credit union calls and asks whether we want to take a certain amount, we always say that we are glad to have it. We have either feast or famine. This is a normal experience for us and is not connected with the recession."

What does Central do when it finds itself with more cash on hand than it needs? It calls or writes credit unions who may have need for funds. It sends circulars to both credit unions and individual members. And it makes announcements at credit union conferences and chapter meetings. "Letters to treasurers have not been very successful," reports a Central staff member. "Unfortunately there are too many treasurers who consider mail addressed to them as their personal business. And they fail to mention our announcements at their board meetings."

Rather than let funds lie idle, Cen-

tral invests its surplus cash in real estate loans to members, treasury bonds and savings and loan association shares. "We feel that the best investment we can make is in loans to our members," says treasurer Moore. "That is why we like to make real estate loans in preference to investments outside of the credit union movement. We have always felt that from a liquidity standpoint a real estate loan is the most saleable and secure type of loan we could make. However, the only time when we do make real estate loans is when we have surplus funds."

Central's cash position is affected by the general economy. "When the consumer feels secure and starts spending, Central soon finds itself short of cash," comments a senior staff member. "And when the consumer stops spending, cash accumulates. But national economic changes are not reflected immediately. When the economy changed during the fall of 1957, Central had such a backlog of loan requests that it took five months until its cash position changed and an oversupply of loan funds began to accumulate. By the same token, it will probably take several months after spending has again picked up, until Central's current oversupply of loan funds will again be in circulation and a new dearth of cash will develop."

When Central finds itself in need of funds it calls or writes the state and federal credit unions in its field of membership, requesting additional investments. Only in dire emergencies will it pay the much higher local bank loan rates, which currently vary from $4\frac{1}{2}$ percent to 6 percent in the San Francisco-Oakland area.

In the past, Central has had no need for a line of credit with a commercial bank. "But we are now considering the advisability of making arrangements with a local bank," says manager Erb.

Waiting for loans

During tight money periods, Central establishes waiting lists on a priority basis. Officer loans receive priority in this order: emergency loans; personal loans; car loans; and, after all other loan needs have been met, real estate loans. But only three times in its history has Central found it necessary to place officer loan applications on a waiting list. The last time personal loans were wait-listed was during February 1957. Maximum officer wait-listing periods were three months.

But credit union loan requests have frequently been placed on waiting lists. "During nearly all of 1957 we had to wait-list credit union loan applications," recalls Erb. "However, it usually took us only four to five months or less to fill the individual credit union's loan needs. Our wait-listed credit union loans are also handled on a priority basis. We give first preference to the smallest groups because we find that the smallest credit unions have to pay the highest interest rates at banks."

• **Getting state-wide participation.** Not all California credit unions participate in Central's efforts to provide a constant source of loan funds. Central recommends that each credit union invest a specific percentage of its assets in Central's certificates of investment on a long-term basis. Comments one of Central's officers: "The credit unions could borrow against this investment, if necessary. But such an arrangement would assure a constantly growing reserve fund which would be at the disposal of California's officers and credit unions as loan needs may arise."

In a leaflet "Your Fair Share," Central suggests that each California credit union make available these minimum amounts and percentages of assets on a semi-permanent basis: 5 percent up to $100,000 of assets; $5,000 plus 4 percent of assets between $100,000 and $250,000; $11,000 plus 3 percent of assets between $250,000 and $500,000; $18,500 plus 2 percent of assets between $500,000 and $1 million; $28,500 plus 1 percent of assets between $1 million and

$2 million; $38,500 plus ½ of 1 percent of assets over $2 million.

Remarks Don Erb, "If all California credit unions would follow this recommendation, there would never be an occasion for having a waiting list for credit unions."

• **Overcoming fear that Central is trying to compete with other credit unions.** Newly elected officers and committeemen are frequently suspicious of Central. They fear that it intends to take business away from their own credit unions. "It is quite difficult to get them to overcome this misconception," reports one of Central's officers. "We have to work hard at helping them realize that there is no element of competition between us and that it is to their own interest to join Central."

Through chapter visits and participation at conferences and seminars, Central tries to maintain close contact with the credit union leaders in the state. And it originates its own literature to supplement personal contacts. At least two direct mailings go out annually to a fairly complete list of directors and committeemen. "But," says John Moore, "since there is an annual turnover among directors and committeemen of some 25 to 35 percent, it is very difficult to keep up with them. This year we are planning five direct mailings for 1958-59 to solicit membership."

When a newly elected officer applies for membership in Central and at the same time requests a loan, Central requires that the credit committee of his own credit union recommend approval of the loan. This operating policy serves Central as an important guide on new unknown members. And it also effectively contradicts all possible charges of pirating members or loans.

• **Need for more operating space.** Like many other rapidly growing credit unions, Central has a space problem. At present it shares offices with four other credit unions on a centrally located main thoroughfare in Oakland. Central leases this office space and in turn sub-leases portions of it to Government Service Credit Union, East Bay Postal Credit Union, Inwood Credit Union and Metropolitan Credit Union.

A credit union building is Central's answer to the space problem. Already it has purchased a lot. And it plans to erect its own building in joint ownership with two other credit unions.

• **Membership Education.** Because of the geographical problems connected with serving an area of some thousand miles in length, Central does not have an ordinary education committee. Primary responsibility for membership education rests with Jack Kent, Central's educational director and collection

From left:

Up-to-date bookkeeping equipment has increased operating efficiency at Southern California Central Credit Union. Here Juliette Williams operates an NCR 3100 machine.

Jack B. Aldrich, manager of First Iowa Credit Union, recommends regular mailings and frequent personal contacts for fuller use of central services.

Central credit unionists C. F. Budd (Colorado), Don Erb (California) and Jack Aldrich (Iowa) discuss their centrals' problems at last June's international central credit union conference in Columbus, Ohio.

Donald Erb, manager of Central Credit Union of California, says it requires constant alertness to maintain incoming and outgoing funds at an even flow.

manager. Kent works with other staff members as an informal educational team.

Preparing and sending out literature to all non-members is a regular part of Central's educational program. This task is facilitated by a complete list of officers which Central obtains after each annual election. Central cross-indexes these names and thus secures an up-to-date list of membership prospects.

One of Central's long-range plans is to establish an active membership committee in each chapter. "We find our work with the chapters most rewarding," says Jack Kent. "At pres-

(Continued on page 26)

SMALL SAVERS STILL

Although the sale of bonds has fallen off and all "smart money" investors are now in other areas, the small denominations still sell strongly, which proves something important about thrift

THE United States Treasury Department's wooing of the small saver really passed the acid test in 1957.

Here was a year when savers were acutely aware of earnings opportunities. Yet the Treasury sold more savings bonds in 1957 than in any postwar year since 1946.

If it had relied on people who buy large denomination bonds, the bond division would have had a dismal year. With more attractive returns readily available from other types of bonds, these big savers drifted away from E and H Bonds.

Treasury's activity was due to continued support from small savers—people who are concerned with safety more than return. For more than 17 years these people have been told that savings bonds are the world's safest investment. Despite the temptation to seek better returns elsewhere, they stayed with savings bonds in 1957, and thanks to the sizable increase in the number of $25 and $50 bonds which were sold, they enabled the bond division to complete more than 90 million individual transactions, a 2 percent increase over 1956.

Dollarwise, of course, the bond program lost to other forms of saving. Sales of big bonds ($500 and up) sagged by 20 percent, and redemptions were heavy. Until the final months of the year total redemptions of mature and unmature bonds often exceeded sales.

Nevertheless in terms of units, the results were heartening to anyone interested in dealing with small savers. In the first nine months, for example, nearly two million more small denomination bonds were sold than in the same period a year ago. Moreover, purchasers kept more than 80 percent of the bonds sold in 1957, a performance which measures up well in comparison with other years.

This continued loyalty on the part of small savers is an important consolation for the savings bond division as it appraises its 1957 results. While the Treasury has always been happy to dress up its sales results with whatever it can raise from large investors, the savings bond division frequently reminds itself that the chief reason for its survival is the service that it renders for the small saver.

For modest incomes

From its inception as the "Baby Bond" of the mid-30s, the savings bond was visualized as an instrument which would stimulate purchases of government securities by modest income families. By emphasizing the small denomination bond, sponsors of the "Baby Bond" plan wanted to offer small savers a security which had all the safety of a government bond, with the convenience of a savings account.

Since these securities were to be offered to unsophisticated buyers, Treasury Secretary Henry Morgenthau Jr. wanted to build in safeguards against every element of risk. Elaborate record-keeping was worked out so that lost or damaged bonds could be readily replaced.

More important than that, the Treasury set out to develop a bond which would protect the buyer from the normal fluctuations of the bond market. Still fresh in many minds was the Liberty Bond scandal after World War I when thousands of small holders saw their bonds drop to 82. Then, after they had sold out, the bonds rebounded to 112.

To protect against a repetition of this experience, the Treasury determined to make the new bond nonnegotiable. But to assure liquidity, the bond was made redeemable virtually on demand, at fixed values specified on the bond itself.

Though it was originally invented to help finance the heavy spending of the depression era, the "Baby Bond" turned out to be an ideal fiscal weapon as the nation found itself

LIKE BONDS

facing World War II. With only superficial revision, it was transformed to Defense Bonds, then War Bonds. Because they were priced within reach of virtually everyone, bonds raised nearly $35 billion toward the prosecution of the war. At the same time they were a powerful antidote to inflation, draining off excess purchasing power which consumers could not prudently use in the period of wartime shortages.

Curbing inflation

When the shooting stopped, the bond program reconverted to Savings Bonds, as a useful device to curb inflation. Gradually it underwent a transition so that it has emerged as something akin to a super-postal savings system, offered as a safe, convenient way for small savers to accumulate resources.

The men who had charge of the bond program obviously handled themselves well, for they have continued to muster enthusiastic support from bankers and other financial people who might easily regard themselves as competitive with bonds. Aside from purely patriotic instincts, this assistance has been forthcoming because many financial people feel the bond program benefits all savings systems by spreading the thrift habit among young people and wage earners, who represent the biggest proportion of bond buyers.

For its part, of course, the Treasury has been careful to abstain from any approach which might make bonds overly-competitive. In war years, when it was struggling to reach huge bond quotas, Treasury felt no hesitation about using every conceivable appeal to convince people they had a patriotic responsibility to put money into bonds.

Now, however, the Treasury avoids promotions which could be regarded as competing for dollars which ordinarily go to other savings systems. In the valuable advertising space contributed by the publishing industry it sells thrift first, bonds second. Moreover, there is no effort to flaunt the flag or use tactics other than those available to all savings institutions. Generally, the Treasury's ads deal with a self-interest theme, designed to encourage systematic saving by pointing to the good things which become available to those who look ahead and accumulate resources.

One reason the bond program has maintained its momentum in recent years is that the Treasury has gone beyond advertising to promote organized savings plans for groups which normally save relatively little.

Under Treasury's school saving plan, which reaches about 6 million children, over 100 million individual savings stamps were sold last year. Payroll savings, which accounts for about 60 percent of all E Bond sales, involves over 8½ million persons in 42,000 plants, who save an average of $20 each monthly.

Where another savings system is bidding for a particular market, Treasury stays away, or offers to cooperate. Frequently it finds a local savings institution working with school children. So Treasury may skip that community, or it may work jointly with the local institution. Under one common arrangement of this type, students are encouraged to accumulate $18.75 in the bank. Then the bank issues a savings bond to the student.

Student savings

In Seattle and Kings County, Washington, where a cooperative arrangement has operated since 1941, students have purchased over 90,000 savings bonds worth $2½ billion with sums they originally deposited in the Washington Mutual Savings Bank.

Under some payroll savings arrangements, employers signify their enthusiasm by offering to supplement

whatever the employee decides to put into bonds. General Electric, for example, encourages payroll saving by contributing 15 cents for every dollar saved by an employee. Gulf Oil Corporation gives employees 50 cents toward the purchase of company stock for every dollar saved through payroll savings.

During the period of high pressure selling in World War II, there was an almost scandalous amount of turnover among bond buyers, who publicized their purchases and quickly turned them in. But today the records show most bond buyers are there for the long haul.

Despite all talk of redemptions, studies published by the Federal Reserve Board last summer showed there were fewer redemptions of bonds than withdrawals from savings accounts. On an over-all basis, Treasury records show roughly half of all E Bonds are held to maturity. In fact, a third of those who owned bonds at any time say they never redeemed bonds before maturity, and 27 percent say they never redeemed any.

More statistics about the stick-to-it-iveness of bond buyers: When all the E Bonds issued during the past 17 years are considered, the average age of an E Bond is 7½ years, and about 38 percent of all the bonds are still outstanding. In fact, of roughly $41 billion worth of bonds held by the public, about $15 billion worth represents bonds which have already matured and have been held beyond the ten year period.

Trying not to compete

Even though the interest rate for bonds was improved in 1957, the savings bond division moved carefully in advertising the new terms. Planners are acutely aware of the danger they would be accused of luring money from other forms of investment. They prefer to give the impression that their sole interest is to maintain something of a parity, so that bond buyers will get the same kind of break in relation to other forms of saving that they did before interest rates started to spiral upwards.

Aside from convenience to the public, however, the fate of the savings program could hardly be a matter of no concern to the government. From the standpoint of economic stability, it represents a major depository of buying power. Even after the heavy selling by big bond holders, it accounted for roughly 25 percent of all cash reserves owned by individuals.

From a fiscal standpoint, the bond program also plays a significant role, for the ownership of bonds by more than 40 million individuals is a healthy diffusion of about 15 percent of the national debt.

From the surveys, it is evident the men who designed the savings bond were remarkably astute in spotting a market and developing the kind of security best suited to exploit it.

Of nearly 2 billion individual E and H Bonds sold since 1941, about

1.5 billion were small denomination bonds, of the kind intended for modest income buyers. Treasury's studies indicate one out of five families bought bonds last year, while in plants where payroll savings plans operate — and this includes those which employ roughly half of all wage earners—one out of three is enrolled in the payroll plan.

According to surveys carried out by the University of Michigan, Treasury is selling bonds to two out of five in the "over $7,500" bracket and 27 percent of those in the $5,000-$7,000 group. Its sales penetration ranges from 17 percent of the 18-34 age group to 22 percent of the 55-64s, and 24 percent of the 35-54's.

It is axiomatic that people mention bonds as a favorite method of saving because they feel it represents the "safest" way of accumulating funds. At the same time Treasury finds most savers have specific goals in mind. For the young it frequently may be a way to collect the down payment on a house. In the 35-44 group, the common reason is to educate children. Beyond that the largest number say they are preparing for retirement.

From the evident bulge in sales of small denomination E bonds each December, it is evident bonds have also found acceptance as gifts. Statistics on this are non-existent; however the Treasury encourages the gift idea by distributing roughly 3 million "gift jackets" annually to provide a suitable dressing for bonds which are given for Christmas, birthdays or other occasions.

While the number of bond buyers is still small by comparison with the tremendous wartime saturation, statistics demonstrate dramatically the workmanlike job the Treasury has done in building solid acceptance for its small denomination bonds.

Small ones gaining

Largely as a result of the steady growth of the payroll savings plan, the number of $25 and $50 bonds sold has increased annually since 1950. In the first nine months of 1950, for example, 37 million individual $25 and $50 bonds were sold. By 1957, nearly 59 million were sold in the same nine month period, an increase of almost 2 million over the first three quarters of 1956.

Similarly, in terms of dollars, the small bonds represent a growing portion of the Treasury's volume. In 1955, small bonds—$25 and $50 denominations — were 31.6 cents of each bond sales dollar, while in 1957 they were 39.5 cents of each dollar.

Where other savings systems may have favored higher interest rates or other gimmicks as bait for new depositors, Treasury's increase in sales to small savers in 1957 can be traced mainly to hard personal selling. For example, 750,000 new bond buyers were enrolled under the payroll savings plan alone.

Nevertheless, there is no illusion at the savings bond division that bonds are a utopian savings medium, with unlimited opportunities. As people are more conscious of the ravages of inflation, many become skeptical about the "safety" of bonds. Where two out of three owned bonds in 1946, many who cashed bonds to use their money for other purposes are making no effort to replace them. A recent survey published by the Federal Reserve Board indicated that the

(Continued on page 20)

in the NEWS

Steps were taken to set up programs for better supervisory committees, a national or international stabilization fund and a new pension plan for employees of CUNA Mutual Insurance Society, during the quarterly meetings of the Credit Union National Association and its affiliates in Madison, Wisconsin, during the week of August 2-9.

There is a good possibility that the United States Post Office Department will issue a special postage stamp to commemorate the fiftieth anniversary of the first credit union law passed in the United States, announced CUNA president W. O. Knight, Jr. (The first U. S. credit union statute was passed by the Massachusetts legislature in 1909.)

A stabilization fund to back up the funds now being established by many leagues could only be built up by increasing the CUNA dues rate, the International Stabilization Fund Committee decided. James W. Grant, chairman of the committee, asked the CUNA executive committee for authority to outline a proposal based on a dues increase of approximately three cents. (The present dues rate is eight cents per member.)

A lawsuit recently brought against the National Tax Equality Association by the National Milk Producers Federation will be joined by the Credit Union National Association, the executive committee voted. This suit charges that the National Tax Equality Association, which has charged credit unions are "tax evaders," is an illegal conspiracy in restraint of trade. In a similar suit brought by a truckers association against a railroad group, a federal court recently awarded triple damages and costs to the truckers in an amount of $825,000. Numerous mutual and cooperative groups are joining the milk producers.

CUNA Mutual Insurance Society will build a new building on the western outskirts of the city of Madison, president Harold Moses announced, instead of on the Filene House site now occupied by the Credit Union National Association and CUNA Supply Cooperative. The land available on the Filene House site was found unsuitable, Moses said. The CUNA Mutual board also voted to provide employees with extra pension benefits supplementing the CUNA Retirement Savings Fund.

The Canadian credit union movement, which prior to May constituted one district of CUNA but became two districts with two vice presidents on the executive committee as a result of a redistricting amendment, has asked CUNA to revise the districting arrangement so that Canada will continue to function as a unit. Being divided in two districts tends to split the Canadian movement, Canadian leaders say. According to present plans, a new by-law amendment will be submitted to the CUNA annual meeting next May.

A resolution calling for a program to improve the work of supervisory committees, passed by the CUNA national board last May, was considered by the CUNA planning committee. Leonard R. Nixon, chairman of the committee, recommended this program should be joined to the new loss prevention program of CUNA Insurance Services. The planning committee also set up a special study committee, headed by A. R. Glen, to study credit union programming for low income groups.

For the fifth consecutive month, consumer installment credit in the United States declined during June. Credit union loans increased, however, according to the Federal Reserve Board.

Several leagues have appointed new field representatives: Florida, R. E. Van De Water; Ontario, John Lamb, Hubert Richard and Lloyd Roberts; Michigan, Knight Webster; Minnesota, Martin J. Maloney; Alabama, Jerry K. Anchors. Texas has appointed Glenn D. Addington public relations director.

Edwin Eich was elected to the board of CUNA Mutual Insurance Society, replacing the late Gurden P. Farr. Keneth J. Marin replaces Eich on the CUNA Supply board.

number of bond-holders has narrowed so that about one in three owned bonds in 1957.

Moreover, this report, based on field work by the University of Michigan showed that the public was generally less receptive to bonds in 1957. At that time 26 percent of those with incomes over $3,000 regarded bonds as a preferred method of saving, while 25 percent cited savings accounts. "The proportion of spending units expressing a preference for savings bonds has declined substantially since 1954," the report said.

Consistent with its dedication to the "self interest" theme, the Treasury officially takes a philosophical view toward bond redemptions. It explains, "A person usually saves for a specific goal. Our promotion is designed to appeal to his desire to save for his child's education, for his own retirement, his own business, or just to take a good vacation.

"We know that whenever a Savings Bond is cashed, someone somewhere is happy that he put aside money years ago. This is the future purchasing power that exists in every family and every community, and is essential to our economy."

Credit Union Examinations

(*Continued from page 4*)

timistic attitude toward supervisory committees: "We used to say they were the weakest link," says Gannon, "but we're finding that they're perfectly willing to do the work if somebody will show them how to do it." The new attention paid to supervisory committees is already paying off in quicker examinations and lower fees, the Washington staff believes.

When an examination has been completed, the examiner then meets as soon as possible with the directors and committee members of the credit union. He reports to them in detail what he has found, and answers their questions. "I have yet to meet a board," says McNamara, "that I couldn't talk out a problem with. Ninety-nine percent are friendly and cooperative." The oral discussion often takes three or four hours, which is included in the examination fee. Several years ago, the Bureau was looking for ways to reduce examination fees and asked a number of credit unions whether they would like to eliminate the oral report. Overwhelmingly they replied that they like the oral report, got a lot out of it and were willing to pay for it.

McNamara has a closet in his home, just off the hall from the living room, where he keeps a filing cabinet, an adding machine and a typewriter. He uses the typewriter to type up his written reports, which he then transmits to the Bureau's Atlanta office. After review and editing, McNamara's reports are retyped and mailed to the credit unions. McNamara keeps carbons of his original reports in the top drawer of his filing cabinet, but he keeps nothing more than a year. The main files are in Atlanta.

McNamara has brought up four bright-eyed kids on his examiner's salary and his wife looks cheerful and healthy too. Fortunately, she likes credit unions. "I don't know what we'd have done without our credit union," she says earnestly. McNamara belongs to two credit unions—"That's all I can support," he grins.

The Chicago regional office

Of the ten regional offices, Chicago is second in size. This district of five states—Wisconsin, Illinois, Michigan, Indiana and Ohio—contains 1400 federal-chartered credit unions with $362 million of assets. The heaviest concentration is in Michigan and Ohio; Illinois has a low percentage of federals, and Wisconsin has practically none.

This region is also, as it happens, the region in which it seems to be hardest to hire young accountants—or it was until this year. The other regions caught up on their hiring last year, but the Chicago office had no luck at that time. In June, this year, by recruiting on college campuses, the Chicago office picked up sixteen new examiners, who are now in training and some of whom are already beginning to conduct solo examinations.

The regional rep in charge of the Chicago office is Robert Seay (pronounced See), who was appointed to this job in 1954. Seay joined the Bureau in 1940 and worked for years in the St. Louis office, which was set up in the FDIC days but was closed down in 1948. Seay has an office staff of two associate regional reps, three review examiners and ten clerical employees. His examiners now total 48.

Until he got his sixteen new examiners, Seay's staff had to examine 1400 credit unions short-handed. He was able to borrow examiners from other regions, but he was also forced to spread out the schedule beyond the once-a-year rotation that every regional rep wants to establish. The individual examiners of course are free to set up their own schedule for the credit unions they examine alone. But team examinations have to be scheduled by the regional office, far enough in advance so that the examiners can make their own plans reasonably far ahead. Seay uses the team approach for any credit union that has half a million of assets or 800 accounts, whichever is reached first. Two examiners are used at this level. More may be used, however, based on a common sense judgment of how many are needed to set up complete controls during the examination. Most of the eight other regional reps follow pretty much the same plan, although Seay has the heaviest concentration of large credit unions and therefore uses team examinations most. Now the Chicago office is close to the point where examinations can be run annually.

The problem in finding young examiners is not so much determining whether they have the training in accounting which is needed, and not even so much deciding whether they like people, says Seay, but most of all judging whether they have common sense. Seay has hired some men from the credit union movement, but he finds most qualified credit union treasurers have full-time jobs and additional income as part-time treasurers, which means they would take a cut if they moved over to the Bureau's starting pay scale. However, a young man usually finds out within six months whether he is going to fit into the job, and the striking thing, Seay finds, is how enthusiastic most of these young men become about the credit union movement. It would be hard to teach a group of young men all they need to know about accounting, but it's easy to teach them credit union philosophy, Seay finds. He likes to send the younger men off on trips with the older men, where he knows there will be a lot of evenings when they will have nothing to do but

talk shop. The young examiner visits probably seventy or eighty credit unions during his first year, sees all kinds of operations and all kinds of people, and knows an astonishing amount about credit unions by the end of the period. About 10 percent of the examiners drop out, Seay estimates, and some of these leave for other jobs in the credit union movement.

In December, the Washington office sends each credit union a bundle of forms and communications. Included is the financial and statistical statement that is to be filled out when the books are closed for the year; a form to be filled out with the names and addresses of new officers elected at the annual meeting; a form on which the credit union can compute its supervision fee; and a form for the supervisory committee's January audit report. This material all comes back, in the normal course of events, to the regional office early in the year. The only other report that is normally required during the year is another audit report from the supervisory committee at the end of June. Aside from this, if everything in the credit union is going well, the only other contact it has with the Bureau is at the time of its examination, which may come at any time of the year.

When to follow up

If reports come in late or in bad shape, however, contacts will be more frequent. If the examination reveals anything seriously wrong in the credit union, there will be some sort of follow-up. This may come in the form of a contact by the examiner or a message from the regional office. Persuasion is the chief tool used to correct a bad condition, and it usually works. But where it fails, the Bureau may use firmer methods. The regional representative has the power to order a special examination if records are badly kept or a shortage is suspected. Where delinquency is bad, a special reserve may be ordered, but this recommendation has to be reviewed in Washington where the order is issued. Where the credit union officers refuse to correct a bad condition, a notice of intention to suspend the charter may be issued; this also has to come from Washington and is always discussed by the director of the Bureau with the Commissioner of Social Security. Actually, suspensions of charters have been extremely rare. The most difficult problem a regional representative has, Seay says, is to decide *when to insist.* Persuasion will work most of the time, and there are times when insisting on a technical point would throw everybody into a tizzy. "After all," says Seay, "we're not just interested in getting compliance with the law. We're interested in seeing credit unions grow and serve their members." This is where the common sense of the young examiners gets its acid test, but the toughest cases inevitably involve the regional higher-ups.

Right now, the regional offices are watching their credit unions very closely, particularly those in industries where lay-offs have been common. As it happens, this is the region that has the highest percentage of automotive plants, farm machinery plants and other corporations vulnerable to the economic cycle. It's nothing to panic about, says Seay, but you do have to watch delinquencies. You do have to keep in touch with each member who has been laid off and not just assume that he can't make any payments until he comes back. Also, in some cases, the cash position has to be watched attentively.

Most of the arguments that have sprung up between the Bureau and the credit union movement have taken place on a dignified level. The Credit Union National Association maintains a liaison committee, to which disputes between credit unions and the Bureau can be referred. This committee spent some time recently discussing the question of whether federal credit unions should be permitted to charge fees for cashing checks, on which the Bureau takes a firm negative position. Other disagreements sometimes reach the point of no compromise: there was a strong disagreement last year over a proposed amendment to the Federal Credit Union Act which would provide the director of the Bureau with the right to limit loans below the limit provided by law. The Credit Union National Association took a firm negative position on this one.

A few times, the Bureau has been challenged in the courts. Recently, for example, a credit union in Buffalo tried to attack an order of the director which required them to set up extra reserves; the order was prompted by the fact that the credit union held some unusually large loans which had become delinquent. The credit union lost. Similarly, there was an attempt two years ago to challenge the director in his position on check cashing; this also failed.

Most spectacular, however, was the suit for damages brought against the Bureau in 1956 by the Social Security Administration Baltimore Federal Credit Union and Liberty Mutual Insurance Company as a result of a defalcation. In this case, it was claimed that negligence of the federal examiners had resulted in a \$395,000 shortage. With only \$75,000 of the shortage covered under the bond and a lesser amount salvaged, the credit union and the bonding company tried to compel the government of the United States to make good the loss the members had suffered. They failed, but not without having given the officers of the Bureau something of a scare.

Negligence of officers

Actually, it was an extremely ugly case, which did the credit union movement no good and could have done great harm. A group of credit union officers had given a credit union employee unlimited freedom to pilfer, and she made the most of it. Warned repeatedly by federal examiners that the credit union was not being properly run, the officers of the credit union chose to ignore the warnings, refused to correct the practices that were criticized, and even insulted the examiners. Then, when the shortage was discovered, they tried to shift the blame on to the government, adding injury to insult.

The credit union was organized in 1938. Mrs. Naomi Ringrose, the guilty employee, became office manager in 1941. The credit union bought a posting machine from the National Cash Register Company in 1940, which the Bureau approved provided certain other records were kept in the manner prescribed by the manual. This was never done.

Tapes from the machine were preserved, but they were never checked by the treasurer, the supervisory committee or the federal examiners. The supervisory committee was not making audits and it did not verify the members' passbooks. The federal examiners checked only the handwritten records required by the manual.

Shortly after she became office manager, Mrs. Ringrose noticed that the posting machine lacked a safety

device which would prevent improper use of the error key. She spoke to the NCR agent about it, who spoke to the credit union president. But the credit union officers said they did not want to spend any more money on the machine.

Mrs. Ringrose's embezzlements began shortly thereafter. When cash receipts were taken in, she would post the amount correctly in the member's passbook and individual ledger card, but she used the error key to falsify the daily cash total, pocketing the difference. She kept accurate records of her pilferage, and juggled members' ledger cards so that the total balances in the cabinet would agree with the control account in the general ledger. She held out a stack of withdrawn cards, which grew till it was six to ten inches thick.

She never took a vacation. When the federal examiner came, she would remove her six-inch stack of cards and hide it in her desk. Since the total balances on the cards remaining in the cabinet always balanced or nearly balanced with the general ledger, federal examiners never suspected anything was seriously wrong.

In 1951, the supervisory committee made a partial check of passbooks and accounts, and one member of the committee found his card was not in place. Mrs. Ringrose produced it out of her six-inch stack. He had the same experience with some other share cards he was looking for, but he did not become suspicious. In fact, the supervisory committee made only a pretense of carrying out their duties. They filled out statements with figures supplied by Mrs. Ringrose. They certified time after time that they had verified all or substantially all of the members' passbooks, although they had never verified more than a small fraction of them. The president knew that the supervisory committee were not doing their duty, but he never reported it to the directors.

"Couldn't" verify passbooks

A federal examiner made critical comments in 1948, but a vice president of the credit union wrote to the Bureau that it was impossible for the supervisory committee to verify the passbooks. An examiner found further irregularities in 1949, and these also were reported. In 1951 the examiner found a large number of corrections on some of the ledger cards, and brought them to the attention of the treasurer, who "became irritated." The Bureau's regional representative at this point insisted that the examiner's report be discussed at a board meeting and asked for a copy of the minutes of the meeting; he had to write two follow-up letters before he got an answer. The supervisory committee promised at the meeting in 1951 to check the tapes but it never did so. The officers of the credit union objected that the Bureau's suggestion would slow down service to the members.

Meanwhile, the record shows that Mrs. Ringrose was living in the most fashionable residential neighborhood of Baltimore, on a credit union salary of $2,400 a year.

In March 1952 two federal examiners called and found the journal and ledger had not been posted for two months. Attempting to reconcile the cash, they found a discrepancy of $1,208. One of the examiners presented a devastating report to a meeting of the board, at which ten were present. Some of the directors were shocked at his description of the confusion of the records; one however testified later in court ("fatuously," the judge commented) that he thought the credit union had been given a clean bill of health, and another said it was "the same old stuff." There were promises of reform, which the Bureau accepted.

The slip starts showing

In 1953, another discrepancy appeared, and the examiner realized that the explanation given was false. A complete one-month shortage examination was authorized, and a shortage of $395,196.96 was discovered.

Just how the officers of the credit union came to believe that the government owed them this money does not appear on the record. In any case, they obtained the permission of the government to bring suit, and they did so. They were joined in the suit by the insurance company that wrote their bond, Liberty Mutual. The credit union and the carrier argued that it was the responsibility of the federal examiners to discover defalcations and that they had been negligent in carrying out their responsibilities. The government replied that it is not the responsibility of the examiners to discover defalcations and that there had been no negligence. The government won.

Perhaps it is futile to speculate now on what might have been the results for the credit union movement if this case had gone the other way. Yet it seems inescapable that if the Bureau had lost, it would have been compelled to tighten up its examinations to the point of harshness; it would have been compelled to order complete audits in all cases where danger signals appeared; and the expense to the credit union movement would have been staggering.

Examination not an audit

"The negligence of the president, the treasurer, the directors and the supervisory committee of the plaintiff credit union," said Judge Roszel Thomsen, who heard the case, "is so obvious . . . Plaintiff's counsel do not deny the negligence of the officials, but contend that it was induced by their reliance on the examinations made by the Bureau. I find both that they had no right so to rely and that, in fact, they did not so rely . . . Far from relying on the examiners, the officials of the plaintiff credit union repeatedly objected to their suggestions, ignored their instructions, and generally placed their confidence not in the Bureau but in Mrs. Ringrose, whom they represented to the Bureau as a person to be trusted. If for no other reason, plaintiffs' claim must be denied because of the negligence of its officers, directors and supervisory committee, which made it difficult for the examiners to do their job properly . . . The government . . . has not assumed the role of an over-indulgent uncle who will always rescue his nephews from the results of their own folly or misfortune."

As for the claim that the purpose of an examination is to protect a credit union or a bank from losses due to defalcations, the judge declared: "These examinations, including examinations of credit unions by the Bureau, are made for the purpose of supplying the Comptroller or the Director or other administrative officer of the government with information necessary to perform his regulatory function. They are not made as a service to the bank or the credit union. The detection of fraud is not a primary function of the examinations, nor is the verification of accounts . . . The verification of accounts is the re-

sponsibility of the officers and directors of a bank, and of the supervisory committee of a credit union."

The Bureau of Federal Credit Unions is self-supporting. Its budget is prepared by the director of the Bureau and his staff, scrutinized by the Commissioner of the Social Security Administration and the Secretary of Health, Education, and Welfare, combed over by the Bureau of the Budget and inspected by Congress. Despite all this, the Bureau gets no income from federal taxes. Its income comes from three sources: chartering, examinations and supervision. Revenue from charter fees came to $17,065 in 1957. Examination fees brought in $1,667,444. Supervision fees amounted to $460,053. Of this total of $2,144,562, all but $76,901 was spent. This net was added to the Bureau's retained earnings, which now amount to $658,328.

The two largest expenditure items in the Bureau's budget are salaries and travel. In 1957, the salary item came to $1,583,458, or an average of $5,128 per employee. The travel expenditure was $356,049. Equipment and communication services were the next largest items, at $44,025 and $32,464.

The examination fee schedule, which produces most of the Bureau's income, has just been revised upward to take care of the 10 percent pay increase that became effective July 1. New credit unions and credit unions with less than $25,000 of assets are not affected by the increase—there is no charge for the first examination, and the under-$25,000 group are charged at a rate of 50 cents for each $100 of assets, with a minimum of $25. Larger credit unions pay $48 per examiner-day, plus 4 cents per $100 of assets up to $500,000, 3 cents per $100 on assets between $500,000 and $1,000,000, 2 cents per $100 of assets between $1,000,000 and $2,000,000, and 1½ per $100 over $2,000,000. The minimum is $125.

The charter fee is $5, and there is an investigation fee in connection with the charter of $20. Supervision fees are based on size, beginning with a charge of 30 cents per thousand of assets and being gradually reduced in the higher ranges.

Being far and away the largest supervisory agency in the credit union world, the Bureau has wide influence among state supervisory agencies. Its Washington office, where policies are determined, examination standards are established and charters are approved, is something of an idea factory for the supervisory people everywhere. Federal accounting manuals are widely used by state-chartered groups, and the Bureau's present emphasis on work with supervisory committees is likely to be imitated.

Possibly the most significant thing about the Bureau, however, is that it is strictly a credit union organization. In most states, the examination of credit unions is a banking department function; this often leads to inadequate examination standards, restrictive regulations and occasionally unfriendly legislative appearances. It is a fortunate thing for the movement that the largest supervisory agency is organically constituted so that its welfare is intimately related to the welfare of credit unions.

Serving Calgary

(*Continued from page* 11)

CARS, BICYCLES AND REPAIRS		
$ 150		shares
$ 100		shares
$1500*		chattel and co-maker
$2000*		hypothecated title on house
$2500*		hypothecated title on house
$1500*		chattel on car
HOLIDAYS AND TRANSPORTATION		
$ 50		shares
$ 500*		shares
$ 300		shares
$ 180		shares
$ 250		shares
$ 300*		shares
$ 100		shares
$ 350*		shares
$ 400*		shares
$ 150		shares
$ 175		shares
$1200*		Co-maker (for plane trip to Scotland)
$ 100		shares
$ 150		chattel on car
BUSINESS		
$2000*	chattel on car plus chattels on machinery to be used in masonry work	
MISCELLANEOUS		
$ 100	estate loan	shares
$2100*	bail bond for two young men	co-maker
$ 200	investments	shares
$ 100	investments	shares

In 1955 the credit committee made 960 loans totaling $317,965. In 1956 there were 862 loans for $360,707, and in 1957 they grew to 1074 loans for $450,517.

Tuesday night credit committee meetings have become traditional at Inglewood and so until 1955 were Wednesday night collections. From the very first the credit union had an office, because Charlie Dredge thought people would be reluctant to go to somebody's house to save or borrow money. The first office was in an abandoned fire hall, where the credit union paid $2.50 a month for electricity. Later the credit union opened for daily office hours on 9th Ave., East, the main artery from Inglewood to downtown Calgary. The Wednesday night collections at the fire hall were in addition to regular office hours, 10-2 daily including Saturday.

Even with office hours and convenient savings and borrowing facility, there still was a communications problem. Charlie Dredge realized that if the credit union were to grow beyond the small neighborhood group which delivered it from an infant, it had to have publicity. In March 1939, with the credit union six months old and with his wife-to-be, Annie Armstrong, helping him, he started the ICU Bugle. His printing equipment was an old wet stencil arrangement, where the paper was rolled over a flat stencil. Then the sheets had to be hung to dry. Often the basement of his grandmother's home, where he lived, would be littered with Bugles hanging in the inky air.

The Bugle became a social rallying point for the credit union's most active members. After the directors dipped into their own pockets and paid $102 for a Gestetner printing machine, the Bugle enlarged. By Christmas 1939 they were able to print 1900 copies of a twelve-page issue, which small boys distributed to Inglewood mail boxes.

Also during 1939 the Inglewood officers got from Dora Maxwell of CUNA a mailing list of credit unions and began exchanging publications with them and mailing the Bugle to every Alberta credit union. Eventually the Bugle became not an Inglewood Credit Union house organ but an Alberta-wide newsletter, published "in the interest of Alberta credit unions." When the Alberta League was organized in 1942, it took over the Bugle, but Inglewood people continued putting it out, by then having it printed commercially. The Bugle was halted in 1952 and has not been revived, though the League now has

a monthly bulletin edited by retired telephone worker and longtime credit unionist, A. M. Munro.

One of the useful ideas that Charlie Dredge got from reading another credit union publication was an officers' association. It didn't take him long to promote one in Calgary, and the group held monthly meetings. It was through the Bugle and the officers' association that CUNA learned about Charlie Dredge, and in the fall of 1941 CUNA sent Bill Tenney to Calgary to start working on a league.

Dredge and Tenney spent about a week that fall, then more time in July the next year, before Edmonton and Calgary credit union people got together in Red Deer to organize their league. By July 1943, when the league's first annual meeting was held, thirty-two credit unions were represented—twelve from Edmonton, eleven from Calgary and nine from other parts of the province.

The league office was in Edmonton briefly before the first secretary-treasurer became ill and Dredge assumed the job, moving the office back to Calgary. Though Edmonton is the provincial capital and is slightly larger than Calgary, there has never been an organized effort to move the league office to Edmonton because the center of credit union activity—largely thanks to Inglewood Credit Union—has always been in Calgary. Edmonton has never developed the community credit union network that Calgary has, but has instead developed mainly industrial credit unions.

Better chapter meetings

The Calgary chapter grew immediately out of the old officers' association after the League was created. As the league's first and only chapter for a time, it was a model. Then, about 1951, it began to sag. Attendance dropped to four or five at the monthly meetings. Inglewood members realized that one of the problems was an inadequate meeting place. Offering their own new building, they continued to host the monthly chapter meetings until January 1958, sometimes drawing as many as sixty to their office. On Thursday afternoons before chapter meetings, all was turmoil in Inglewood's office with the counter, files, desks and chairs shuffled to make room. Mrs. Cuthiell of Inglewood, who remains as chapter treasurer, says the chapter no doubt would have died if Inglewood had not offered its building as a meeting place.

By the time he died, Charlie Dredge had accomplished two main goals, creation of the league and the chapter. He also saw to it that his credit union carried complete CUNA Mutual insurance; loan protection insurance was taken out in October 1943 and life savings insurance was secured January 1, 1945. Charlie Dredge, who died on February 5 three days after his credit union's annual meeting, became Inglewood's claim number one under life savings. When he died, the credit union had more than 500 members with shares of $45,000 and loans exceeding $50,000.

Dredge loved to keep Inglewood Credit Union first. It had been the first chartered in Calgary and the first with daily office hours. In his time, though, the credit union was unable to achieve another first which was finally reached in 1951—first Calgary credit union to own its building. Early in 1951 the directors bought a commercial lot, 33x120, for $1400, then spent $12,000 on a stone-front building with basement occupying the full width and going back from the street 32 feet.

Within two or three years the office was crowded with three full-time employees and one part-time. The credit union began intermittent talks with their neighbor, Seismic Service Supply, about buying the adjoining lot, but not until 1957 was the deal completed. Under Seismic's terms, Inglewood bought five adjoining lots all the size of its original space, then agreed to lease back four lots to Seismic on a yearly fee of $500. Sale price for the five lots was $56,000. Currently the credit union auditor is working out a depreciation schedule on this property. Tentative building plans are to expand thirty feet to the side and twenty feet to the rear, including another private office and a board room in the new space.

Men who worked with Dredge picked up his notion that Inglewood Savings and Credit Union Limited should be the best. One example in 1954 was the director who said, "I don't know how closely you other fellows have been reading The Bridge, but I see they're going to have a school down in Madison. I think we ought to be represented there if we're going to keep Inglewood tops." Coincidentally, Annie Dredge had also read of the school and had jokingly said that she planned to spend her holidays in Madison. By July she was enrolled as a first-year student, and in 1956, complete with a severely sprained ankle which she acquired in her final week, she graduated with the first class.

Out of her class association with George Moore of Montana came the idea for an international credit union picnic to be shared between Albertans and Montanans. Each year since 1956 the picnic has alternated across the border, and this year's event in Alberta may draw 500.

Advertising at Inglewood is mostly by word-of-mouth, particularly among children. Except for occasional letters announcing the birthday party or the annual meeting, communication from the office to members is infrequent. Although Alberta credit unions are allowed by law to set aside 5 percent of net earnings in an educational fund, Inglewood has never done this because, as Mrs. Dredge says, "we have always had enough in current funds to handle any educational program."

Industry moves in

Annie Dredge is one who has complete faith in Inglewood's future. She has seen industry encroach on the district, but she along with her neighbors and credit union friends was relieved when the city's big industrial development occurred south of Inglewood's bounds. Within Inglewood are four main industries, British-American oil refinery, Calgary Brewery, Canadian Pacific Railway yards and Burns Packing Company.

A danger possibly greater than industrial relocation is the chance that Inglewood Credit Union might have become known as a cliquish thing where only the older, established families belonged. This has never been true, Mrs. Dredge says, because there is a considerable turnover of Inglewood citizens and they have always been welcomed into the credit union.

Last year the credit union directors took another small but important step toward picking up new members. They voted to issue a free $5 share to every child born to a credit union member and reported to the credit union within sixty days. In a year

and a half, this created fifty-six new accounts, many of them active with weekly or monthly savings.

The credit union pays league dues of seventy-five cents per member for all members over sixteen. Last year there were 536 dues-exempt members. Mrs. Dredge says that a good percentage of their children members come in with ten or fifteen cents to put into savings. One boy came in with twenty-five cents saying he wanted a credit union book like his friend had. Occasionally happy rivalries burst out over who can save the most in the credit union.

Though much of Calgary, including Inglewood district, is a mixture of residential, commercial and industrial property, if there were credit union failures in industry, the community credit unions would be there to absorb the members. League manager Ouellette looks on this as one of the happiest features of his community credit union saturation. Albertans have found, also, that community credit unions have led many members to help organize industrial credit unions. Membership in more than one credit union is encouraged. Calgarians are fully prepared to recommend community credit unions to anybody who is interested.

Central Credit Unions

(Continued from page 15)

ent our staff members are attending as many chapter meetings throughout the state as their work schedules permit."

Among Central's effective publicity devices is a Central Credit Union Kit, which the field personnel of the California Credit Union League distributes to each credit union treasurer. The kit contains original informative literature describing Central's history, purpose and services. Also included in it are membership applications and loan application forms. "Purpose of the kit," explains Kent, "is to help the treasurer to instruct his officers on the details of filling in Central's papers. Forms frequently are not fully filled in. This causes delays because they have to be returned for completion. By making good use of our kit, members are able to get substantially faster service."

When making loans to credit unions, Central recommends gradual loan repayments. This enables the credit unions to obtain the repayment funds through share growth.

• **Long-term certificates.** Central encourages long-term investments by issuing certificates which bear interest at an annually rising scale. Credit unions may invest even amounts of $1,000 on a yearly term from the day on which the amount is deposited. During the first year these certificates pay 3 percent. During the following year the interest rate goes up to 3.2 percent. And for the next nine years the interest rate continues to rise annually 2/10 of 1 percent until it reaches 5 percent at the end of the eleventh investment year. This rising interest scale brings the average per annum interest rate for fully matured certificates to 4 percent.

Members may leave their investments with Central for more than eleven years. But the interest rate on the certificates drops down to 3 percent for the twelfth year. And it does not again reach the level of the annual return of the eleventh year until another full investment cycle is completed at the conclusion of the twenty-second year of continuous investment.

If a credit union cancels its certificate before the end of the first investment year, the interest rate goes down to 2.4 percent per annum. Investing credit unions may cancel their certificates at the end of any year. In such an event their interest for the current year is prorated on the basis of the previous year's interest rate.

• **Dividends.** Since 1947 Central has declared annually a 3 percent dividend.

• **Credit committee.** Two of Central's three credit committee members are always available at Central's headquarters in Oakland. One of the two is a Central employee and the second member is employed by one of the credit unions which are sharing Central's office space. The third committee member is also employed by a credit union but works in another office. "In an emergency our credit committee can meet at a moment's notice for immediate loan approval," says Don Erb. "Regular committee meetings take place twice each week. Depending on the type and purpose of the loan requests, our committee is usually able to give its approval in a few days. In exceptional cases it may take a maximum of a week to obtain loan approval."

• **Supervisory committee.** This committee meets once each month. All of its members live in the San Francisco-Oakland area. The committee's technical work is carried out under the direction of a certified public accountant.

Another central credit union in California serves the Los Angeles area. Southern California Central Credit Union was organized in Los Angeles during November, 1943, to succeed LADCO (Los Angeles Directors, Committeemen and Officers) Federal Credit Union, which had found it impractical to operate under a federal charter. "Our founders believed that the large cluster of credit unions in the Los Angeles area urgently needed Southern's services because of the area's geographic distance from Central in Oakland," says Carl A. Bowman, Southern's secretary-treasurer since 1944.

• **Members.** Southern's field of membership includes the officers, directors and committeemen of other California credit unions and their recommended members; credit unions themselves; officers, directors, committeemen and employees of the California Credit Union League or any of its chapters; cooperatives; and officers, directors and committeemen of cooperatives.

While technically all credit union people in California are eligible to join Southern, in practice most of Southern's members live in Southern California, south of the Tehachapi mountain range.

The entrance fee at Southern is one dollar. This amount entitles the member to borrow. But members who wish to invest in Southern, need a minimum of five $5 shares. And while a member may withdraw his savings at any time, including the $25 minimum amount, he cannot reduce his share account to less than $25.

• **Accepting members on recommendation.** Credit union officers who apply for membership need their parent credit union's recommendation to join Southern. The purpose of this requirement is to establish the individual's reputation with his own group and eliminate the possibility that a credit union could accuse Southern of pirating members. "If they recommend their members, they cannot say that Southern is taking away members and funds in com-

"We heartily recommend Burroughs Accounting Machines for any Credit Union,"

says E. C. Feldman, Treasurer-Manager, Redbrand Credit Union, Peoria, Ill.

Tripled membership! That's the proud record of Peoria's Redbrand Credit Union since the installation of their first Burroughs Sensimatic Accounting machine. And its ease of handling such an expanded work load is only *one* of the reasons for Manager E. C. Feldman's recommendation of the Sensimatic.

Because of Burroughs Sensimatic's speed and efficiency, statements *always* go out on time. Whether yours is a window or a payroll system, you just can't find a faster, simpler method of posting share and loan ledgers, using either passbook or statement. Of figuring and posting paid-in shares. Of determining share-months for dividends.

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petition with their mother credit unions," Bowman points out. "It is very important to keep faith with the other credit unions and to be of service to them rather than to compete with them."

• **Keeping in touch.** Some 90 percent or more of Southern's contacts with the membership are through the mails. "Custom-designed advertising pieces are among our most effective promotional devices," says one of Southern's eleven full-time staff members. "The League provides us with our prospect list. It gives us the names of the officers and committeemen of the newly organized credit unions. We put much thought into our mailings and plan them carefully so that we obtain the maximum publicity value from each piece of original literature."

Adds Carl Bowman, "Occasional speeches at chapter meetings are another method of keeping in touch with our membership. We try to cover some ten to twelve chapter areas. I look upon each chapter meeting as a valuable opportunity for personal contact with our field of membership."

• **Growth.** At the end of 1954, after eleven years of operation, Southern's books showed 1,573 members, $827,284 in shares, $750,689 outstanding in loans to 1,062 borrowers, and assets of $893,424. During the last three and one-half years Southern increased its members, shares, loans, borrowers and assets each by more than 100 percent. On June 30, 1958, Southern's 4,139 members owned $2,188,600 in shares, were lending $2,135,496 to 2,797 fellow members, and had accumulated total assets of $2,354,538.

• **Office facilities.** Southern's office is located in the basement of the two-year old California Teachers Association Building in downtown Los Angeles. Its rental area of 1,124 square feet, with soft fluorescent lighting and an efficient air conditioning unit, is partitioned into three offices. The largest office is used as a reception section and operating space for the office staff of nine, including the assistant manager. And the two smaller offices provide privacy for the treasurer and manager, respectively.

"If we keep on growing at our present rate we may soon have a space problem," says Florence P. Leaf, Southern's manager and assistant treasurer since 1944. "During June and July of this year alone our membership grew by twenty-five credit unions and 155 individual members."

• **Problems.** Southern's principal problems are (1) arousing membership interest and (2) maintaining an even supply of funds.

• **Creating membership interest.** "The lively interest of our members, their loyalty and zeal are all with their own credit unions where they are personally known," says Mrs. Leaf. "Because our membership has no spontaneous concern for Southern, we try to create and encourage their interest. All the concern must be *from* Southern to the members. We try to develop sentiment for our credit union through faithful service to a membership which is widely dispersed both in respect to geographic location and interests. We try to *earn* their good will and respect. This is not easily done. But we constantly strive to give. And we wish to give generously."

• **Keeping cash on an even keel.** Southern tries to accommodate credit unions which seek investment opportunities. But it does not accept credit union investments when funds accumulate too rapidly. Says treasurer Bowman: "While we have to turn down corporate funds at times, we have never rejected individual investments. In fact, we encourage our individual members to save as much as they can by placing no limit on personal investments either in total amounts or on a one-time basis."

When cash on hand exceeds the current demand, Southern makes real estate loans to individual members. "Our experience with real estate loans has been excellent," comments manager Leaf. "California's state law limits such loans to 60 percent of appraised value up to $10,000. We have had to foreclose on only one loan. All of our real estate loans today are current."

Southern invests its excess funds in federally insured savings and loan association shares. Last July these investments amounted to $90,000.

But many a time Southern is troubled by a lack of funds rather than an oversupply. Whenever that happens, Southern encourages additional investments from such of its member credit unions as may have idle funds. When additional credit union funds are not available, Southern obtains the necessary amounts from a local bank. "At times we have had to borrow substantial amounts from our bank," says treasurer Bowman. "We like to be prepared for sudden needs of large amounts without keeping excessively high checking account balances. That is why we have established an unsecured line of credit with a local bank. This arrangement enables us to borrow up to $300,000 at any time at a preferred interest rate which is only slightly higher than the prime rate."

Only once during its fifteen years of operation has Southern been unable to find immediate funds for both car and credit union loans. That was during the summer of 1957. To meet this crisis, Southern established waiting lists. Some of the individual members as well as the corporate members had to wait several months for their loans. But early during the fall of 1957 Southern was able to satisfy the last of the wait-listed borrowers.

"Since January of this year a steadily increasing surplus of cash funds has developed at Southern," comments Mrs. Leaf. "January is always a particularly active month for both incoming and outgoing funds. But during the first six months of the current year, the inflow continued on an exceptionally large scale."

• **Credit committee.** Officers, directors, committeemen and members who wish to borrow from Southern need a letter of recommendation from their own credit unions. And the member's own credit committee must approve each loan before Southern's credit committee passes on it.

Southern's credit committee takes daily action on loan applications. Treasurer Bowman serves on this three-member committee. Manager Leaf is an alternate. The committee meets in the credit union office, or an employee takes the day's loan applications to the committeemen for signature. Committee discussions are frequently conducted by telephone. But in the case of real estate loans and other loans involving larger amounts the full committee usually meets in formal session.

"Several of our members have been victimized by unethical commercial lenders who made second mortgage loans with balloon notes, took second and third mortgages on homes for automobile purchases or offered

to sell merchandise on monthly installments which the members could not afford," Carl Bowman reports.

• **Supervisory committee.** The committee microfilms all ledger cards annually and mails a printed microfilm statement to each member. The replies go directly to the committee's chairman. For 1957 this audit brought a return from 70 percent of the membership.

To assist with routine operations, the committee engages its own clerical personnel. It handles all stuffing and mailing of the annual statements. And, under the chairman's direction, the same special staff also sorts the returns in another office building.

• **Payroll deduction.** A number of credit unions place Southern's loans on their sponsor's payroll. With the permission of the member, these credit unions collect loan payments through payroll deduction, credit them to the member's share account, make a single withdrawal each month and remit the collected funds to Southern. And in the case of credit unions which have several members with loans from Southern on payroll deduction, the home credit union remits the total amount of all deductions with a single check, accompanied by an itemized statement indicating which share accounts are to be credited.

In most cases payroll deduction is used for loan payments only. But there are several credit union sponsors who permit payroll deduction for savings also. "Some of our members have accumulated substantial savings in this manner," says Mrs. Leaf.

Southern declared a dividend of 4½ percent for 1957. For the preceding eight years the dividend rate had been 4 percent.

• **Aiding Liquidating Credit Unions.** Southern assists dissolving credit unions to liquidate their accounts. Currently it is helping twelve such groups. "These accounts must be taken over before liquidation," one of Southern's officers points out. "Because once a group has liquidated, its members are no longer credit union people and therefore not eligible to join Southern."

In helping liquidating groups, Southern takes over both savings and loans. The member applies individually to join, like any other new Southern member. If the loan is acceptable, Southern pays the liquidating credit union the full amount of the loan. But if the loan is already delinquent or doubtful, Southern discounts it according to the federal schedule for aging loans.

Now let's take a look at some of the other central credit unions that participated in this year's conference.

New Jersey Officers Federal Credit Union was organized twenty-one years ago to serve the state's officers, directors and committeemen, members of their families, and employees of the New Jersey Credit Union League. It employs one half-time and two full-time persons. The group's twenty-two hundred members have accumulated $694,000 in assets. "Our loan demand has gone up terrifically," says treasurer-manager June A. Maloney. "Today we have 120 percent of our shares out in loans to the members. Savings have gone up too. But not as rapidly as our loans. We have no idle funds. But we act as a clearinghouse for funds between other credit unions."

New Jersey's two problems are delinquencies and finding a way to contact all eligible members. Last June the delinquency ratio reached a high of 10 percent of loans outstanding. "It went up 1½ percent in two

months' time this spring," recalls Mrs. Maloney. "But fortunately it tapered off again during May."

The group has designed a threefold program to encourage wider use of its facilities: (1) Booths at conferences and conventions, (2) speeches at chapter meetings, and (3) a question and answer brochure for new members.

Dividends at New Jersey were 4 percent for 1955 and 1956, 3½ percent for 1957 and a 5 percent patronage refund since 1956.

A special feature developed by New Jersey Officers is a statewide missing-persons service. The central co-ordinates this search by distributing to co-operating credit unions coded details of the missing members. Says treasurer Maloney: "It is a good idea to encourage members to give their Social Security numbers, the names and schools of their children, as well as the names and addresses of their employers and their parents-in-law. It is surprising how many missing members we have already been able to locate. And by using a code symbol for the name of the inquiring credit union, only authorized persons know who initiated the search."

Arizona Central Credit Union was chartered nineteen years ago to meet the credit needs of the state's credit unions; their officers, directors and committeemen; as well as credit union members whom their own groups can not serve. Its 1,390 members today own some $831,000 in assets.

"We have no idle funds problem," says treasurer-manager John W. Martin, Jr., "All our money is out in loans. At present we have borrowed $100,000. And we are looking for another $100,000. Less than 1 percent of our funds is out in loans to credit unions. I would say that finding enough money to meet our members' needs is our principal problem. We have a standing line of credit for $75,000 with a local bank at 5½ percent."

Arizona Central uses letters, original literature and personal contact to publicize its services. And it designs special literature which is specifically addressed to the credit unions in its field of membership. As of last June, eight credit unions were members of the central.

The past two years brought substantial growth to this group. Loan demand increased by 100 percent during both 1956 and 1957. And shares also grew significantly.

First Iowa Credit Union is thirty-four years old but changed its field of membership in 1932. It now serves credit union directors and employees, organizations affiliated with the Iowa Credit Union League, and members of liquidating credit unions. With a membership of some 3,000 individual and 200 corporate members, First Iowa has $2,400,000 in assets. Some seventy of the group's corporate members are using 40 percent of its outstanding loan funds.

Principal problems at First Iowa are communication and lack of member participation. Says manager Jack B. Aldrich: "We are trying to overcome resistance to change through regular mailings and personal contact via telephone at least once each month. And we are contacting potential members at least once every two months."

First Iowa prides itself on accepting all credit union funds at any time. Its three full-time staff members use the league's quarterly statement file to find potential money suppliers among the state's credit unions. The central's three-member finance committee advises with the staff on financial problems. And for outside counsel on investment matters, the committee and staff use the services of the investment house of Merrill Lynch, Pierce, Fenner & Smith. "We have a standing line of credit with one of our local banks," Jack Aldrich points out. "When we post security we are able to use this money at the prime rate. And when we borrow on our balance sheet we pay between 4 and 4½ percent."

Says First Iowa's treasurer A. W. Jordan: "Our central has established a very harmonious relationship with every treasurer and every credit union board in Iowa. The treasurers now counsel first with their officers before they send them to us. Pre-application counselling and careful filling-in of loan applications enables First Iowa to improve the quality of its services. And when there is a doubt about any of the answers in the application, and whenever there are questions or problems, we check back with the local credit union treasurer."

Current interest rates at First Iowa are 1 percent per month on the unpaid balance for loans to individual members and 4 percent per annum on corporate loans. During 1957, Iowa paid a dividend of 3½ percent. For the two preceding years the rate was 3 percent.

"We strongly recommend to our membership that each credit union put in twenty-five percent of its unimpaired share capital into our central," remarks Jack Aldrich.

Central Credit Union, Tulsa, Oklahoma, has been serving Oklahoma credit unions, officers, and families of members for seventeen years. The group's ninety-five corporate and thirteen hundred individual members have gathered some $940,000 in assets. Last June, thirty member credit unions were using some 30 percent of the group's outstanding loan funds.

"We are never oversupplied with funds," says manager Ira E. Lynch. "In fact, we always need more money. At present we have borrowed $123,500 from federal credit unions. Since the beginning of 1955 our loan volume has increased by more than 200 percent and our shares by almost 180 percent. We believe that we should keep $35,000 on hand at all times to be prepared for emergencies."

Oklahoma's central employs a full-time staff of three. The League pays the salaries. And the central in turn reimburses the League.

CUNA leaflets are enclosed regularly with monthly statements to all borrowers.

Oklahoma's dividend for 1957 was 4 percent on the amount remaining at the end of the year, computed on the balance of each calendar month. The interest rate is 1 percent per month on the unpaid balance for personal loans. For corporate loans the rate is 5 percent per annum on the unpaid balance.

Comments manager Lynch: "We either accept, decline or write for supplementary information on the day on which we receive our loan applications."

Ohio Central Credit Union was organized in 1949 to serve the officers, directors, committeemen, employees of credit unions, wives and husbands of eligible persons and their dependent children; employees of the Bureau of Federal Credit unions in Ohio; and other credit unions. Its membership of 4,500 includes 4,000 individuals and 500 credit unions. The group's assets are approximately $4,000,000.

"When we need money we put out

a promotional piece on share deposits," says manager R. J. Budbill. "And when we have too much cash on hand, we send out literature on car and other personal loans. We use CUNA Mutual life savings insurance literature to increase shares to $1,000.

"From October, 1957, to January 10, 1958, we took in $1,000,000 in personal loans, corporate loans and investments. Now the pendulum has swung in the opposite direction. Credit unions are again demanding more corporate loans. And late last spring we had to borrow $100,000 until our savings and loan dividends fell due. During June of this year, 108 credit unions were using some 60 percent of our outstanding loan funds."

Ohio Central has always been able to meet all loan requests, both corporate and individual, reports treasurer Robert Kloss. "When we didn't have the money, we went out and obtained it somewhere. And when we are unable to find any credit union funds, we can always obtain bank credit. Out standing line of credit with a local bank is $1,000,000."

Last June, Ohio Central's investment portfolio held $500,000 in insured savings and loan association shares, in addition to $50,000 in United States Treasury bonds. "We use these Treasury obligations to get short-term bank credit at lower interest rates," says one of Ohio Central's five full-time employees.

Principal problems at Ohio Central are (1) reaching all prospective members for personal loans, and (2) controlling delinquency. "We try to overcome the first problem by using the philosophy of helping each other," says Ray Budbill. "And we constantly encourage present and prospective members to take fuller advantage of our services."

Ohio Central has worked out a very detailed system for following up delinquent loans. It maintains a delinquent loan control card for every loan in a three-by-five file. And it runs a complete delinquency control twice each month. Here are some of the results of this careful control system. On May 31, 1957, delinquency amounted to 11.5 percent. Eleven months later, on April 30, 1958, it was down to 7.8 percent. And on May 31, 1958, total delinquency had dropped to 6.7 percent.

Interest rates at Ohio Central are 1 percent per month on the unpaid balance for individual loans. For corporate investments the current rate is 4 percent. And when Ohio Central borrows from federal credit unions it pays 3½ percent on loan notes which it renews every ninety days.

Ohio Central uses a filing system which saves some 50 percent in filing time. It is called terminal digit filing, because the cards are filed according to the last two digits. The file consists of one hundred indexes which accommodate ten thousand individual account cards. Under this system it is not necessary to keep ledger cards in any particular order other than the two last digits. Cost of the entire system, including movable stand and six trays, is $460.

Mistaken filing is immediately detected by side guides which are identical for groups of ten and must coincide. If they do not coincide, then one card is not in the correct numerical order.

"We have an unwritten rule at Ohio Central never to start posting for a new month until all ledgers are

Members of CUNA Credit Union
THIS IS IMPORTANT

The examining committee of CUNA Credit Union, Madison, Wisconsin, is performing a passbook verification as of July 24, 1958.

If you are a member and have not received a verification letter, please contact

Gene R. Anderson, *Chairman*
P.O. Box 213
Madison, Wisconsin

in complete balance," says manager Budbill. "In our opinion, this is a very important rule. And we try to encourage our member credit unions to adopt it too."

Utah Central Credit Union was organized twenty-five years ago for the state's officers, directors, committeemen and their immediate families. It also provides an interlending service for credit unions. Credit unions may deposit funds. And they may borrow as depositors. Last June, Utah Central had total assets of $926,000 and with a full-time staff of two was serving a membership of 972 individuals and 80 participating credit unions.

"We are trying to get 1 percent of the total assets of each credit union in the state," says treasurer Wayne W. Hall. "This is a part of our central's educational program. We also prepare a monthly newsletter for the entire membership and send out a different newsletter each month to all credit unions in the state."

Utah Central is willing to accept all amounts from individuals and credit unions at any time. The group's cash position reflects this willingness. At the end of April 1958, its cash on hand amounted to $2,100. By the end of the following month the cash balance had risen to $71,000. "We are trying to keep substantial reserves as a cushion against future needs," explains treasurer Hall. "Last June we had a total of $200,000 in bank time deposits and savings and loan association shares."

Interest rates at Utah Central are 1 percent per month on the unpaid balance for loans to individuals. Borrowing credit unions pay 5 percent per annum simple interest. And participating credit unions may deposit funds with Utah Central at the guaranteed monthly rate of 3 percent per annum for all amounts remaining with the Central for a full calendar month. The dividend rate paid to individual members for the past three years was 6 percent per annum.

Summing it up, central credit union treasurers and managers agree that there is a need for increased central credit union services and better understanding of the place of central credit unions in the credit union movement.

But they will argue over such questions as:

- Should there be one central as the state's principal equalizer of credit union funds? Or should there be area, city, district and regional centrals?
- Should the central accept all credit union funds at all times? Or should it take credit union funds when cash reserves are low and decline them when cash is plentiful?
- Should the central offer a particularly attractive interest rate for long-term investments?
- Should the parent credit union's credit committee be asked to preapprove officer loan applications?

COMING EVENTS

September 18—**Delaware** Credit Union League organization meeting, The Hunter, Delaware Trust Building, Wilmington.

September 18-20—**Florida** Credit Union League annual meeting, George Washington Hotel, West Palm Beach.

September 26-27 — **Wisconsin** Credit Union League annual meeting, Eau Claire Hotel, Eau Claire.

October 10-11—**Indiana** Credit Union League annual meeting, French Lick Sheraton Hotel, French Lick.

November 6-9—**California** Credit Union League annual meeting, Hotel Senator, Sacramento.

November 20-23—**Missouri** Credit Union League annual meeting, Sheraton-Jefferson Hotel, St. Louis.

January 25—**Utah** State Credit Union League annual meeting, Hotel Utah, Salt Lake City.

February 26-28—**Ontario** Credit Union League annual meeting, Royal York Hotel, Toronto.

March 6-7—**North Dakota** Credit Union League annual meeting, Memorial Building, Jamestown.

March 9-11—Credit Union League of **Saskatchewan** annual meeting, Hotel Saskatchewan, Regina.

March 13-14 — **New Mexico** Credit Union League annual meeting, Hilton Hotel, Albuquerque.

March 14—**Connecticut** Credit Union League annual meeting, Stratfield Hotel, Bridgeport.

March 19-22 — **Texas** Credit Union League annual meeting, Rice Hotel, Houston.

March 20-21—Credit Union League of **Alberta** annual meeting, Provincial Auditorium, Calgary.

March 20-21 — **Rhode Island** Credit Union League annual meeting, Sheraton-Biltmore Hotel, Providence.

March 21 — **Maryland** Credit Union League annual meeting, Lord Baltimore Hotel, Baltimore.

March 27-28 — **Arizona** Credit Union League annual meeting, Tucson.

April—**Vermont** Credit Union League annual meeting, Pavilion Hotel, Montpelier.

April — **West Virginia** Credit Union League annual meeting, Huntington.

April 2-6 — **Louisiana** Credit Union League annual meeting, Capitol House Hotel, Baton Rouge.

April 3-4—**Illinois** Credit Union League annual meeting, Hotel Sherman, Chicago.

April 3-4—**Massachusetts** CUNA Association annual meeting, Hotel Somerset, Boston.

April 8-11 — **Oklahoma** Credit Union League annual meeting, Oklahoma Biltmore Hotel, Oklahoma City.

April 10-11 — **Alabama** Credit Union League annual meeting, Whitley Hotel, Montgomery.

April 10-11 — **Colorado** Credit Union League annual meeting, Lamar Community Building, Lamar.

April 10-11 — **District of Columbia** Credit Union League annual meeting, Statler Hotel, Washington.

April 10-11 — **Kansas** Credit Union League annual meeting, Baker Hotel, Hutchinson.

April 10-11—**Tennessee** Credit Union League annual meeting, Hotel Claridge, Memphis.

April 10-12—**New Jersey** Credit Union League annual meeting, Traymore Hotel, Atlantic City.

April 16-18 — **Pennsylvania** Credit Union League annual meeting, Penn-Sheraton Hotel, Pittsburgh.

April 17-18 — **Arkansas** Credit Union League annual meeting, Hot Springs.

April 17-18 — **Georgia** Credit Union League annual meeting, Bon Air Hotel, Augusta.

April 17-18—**Minnesota** Credit Union League annual meeting, St. Paul Hotel, St. Paul.

April 17-19—**Ohio** Credit Union League annual meeting, Cincinnati Music Hall, Cincinnati.

April 23-25 — **Virginia** Credit Union League annual meeting, Hotel Roanoke, Roanoke.

April 24-25—**Iowa** Credit Union League annual meeting, Hotel Roosevelt, Cedar Rapids.

April 24-25 — **Michigan** Credit Union League annual meeting, Statler Hotel, Detroit.

April 24-25 — **South Dakota** Credit Union League annual meeting, Evans Hotel, Hot Springs.

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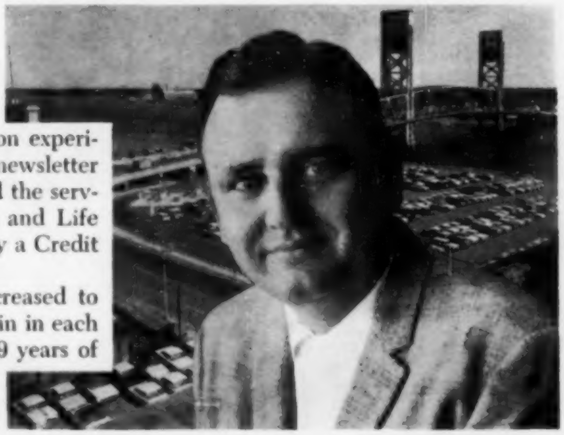

J. D. Kennedy, Jr., Treasurer

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"The response has been tremendous. Shares have increased to over one million dollars, and loans to over $900,000—a gain in each of more than 100% in four years, just doubling our first 19 years of growth."

ROBERT "BOB" LEE
Lineman Trouble Shooter

"Now, let's look at some comparative figures as of May 31st that help show a portion of CUNA Mutual's part in this growth."

Total Premiums	$55,562.91
Less Dividends	10,034.67
Total Cost	$45,528.24
Claims Received	$57,543.53
Less Total Cost	45,528.24
Claims Received in Excess of Costs	$12,015.29

CUNA MUTUAL insures credit unions on an equal basis, regardless of size, location or claim experience. Rates are equalized and remain constant — even if claims temporarily exceed premiums. CUNA MUTUAL does not provide retention or claim experience-type coverage, because our goal is to serve all credit union policyowners equally.

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NAME.................................... TITLE..........................

STREET OR RFD ....

CITY.................................... STATE OR PROV. ....

CREDIT UNION ....
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